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## NEWS SUMMARY

### GENERAL

#### Botha drops justice minister

South African Premier Pieter Botha dropped controversial justice minister James Kruger in a Cabinet reshuffle. Newcomers to the Cabinet included Andries Treurnicht, head of the ruling National Party in Transvaal Province, who is acknowledged as leader of the party's right wing. Backstage Mr. Botha agreed to abandon his attempt to curb newspaper reporting of corruption in government. Page 4

### BUSINESS

#### Equities and Gilts fall; £ weaker

Equities again fell sharply on fears of confrontation between the Government and union following the Budget. The FT 30-share index dropped 14.7 to 474.2.

● **GILTS** suffered losses after the Ministerial warning of 17½ per cent inflation by autumn. Falls ranged to 14.

● **STERLING** fell 82 points in very quiet trading to close at \$2.0955 and its trade-weighted index fell to 65.2 (68.6). The dollar's index was unchanged at 86.8.

● **GOLD** rose \$2 to \$275½ in London.

● **WALL STREET** was 3.21 lower at \$38.96 just before the close.

● **GREATER EUROPE** - The EC's common agricultural policy and a boost in payments by other EEC funds to aid Britain and Italy. He arrives in London today for talks with Mrs. Thatcher. Page 2

● **A TOPLEVEL** British trade mission is to visit Cuba. Page 8

● **FRUIT AND VEGETABLES** prices jumped 15 per cent in the three months to May this year, the Price Commission reports.

● **AVELIN MARSHALL** plant in Gainsborough is to close with the loss of 763 jobs. Page 10

#### Labour

● **SCOTTISH MINERS** have asked for a 10 per cent claim of 1979-80, but have been told by the Government that they must wait until after the election.

● **THE NATIONAL** and Local Government Officers' Association has decided to make official any local strikes called by its members against job cuts due to reduced public spending. Back Page

● **ENGLISH CHINA CLAYS** first-half pre-tax profits rose to £29m (£25.1m) in the year to March 31, and the company expects further growth. Page 20 and Lex

#### Companies

● **DAVY INTERNATIONAL** and Schlumberger have joined to win a turnkey contract for a \$250m copper smelter in the Philippines. Page 8

● **SONY CORPORATION** net profit in the six months to April 30 fell by 35.6 per cent to ¥7,880m (about £17.9m) from ¥12,220m in the same period a year earlier. But the setback was blamed by Sony on adoption of U.S. accounting rules. Page 36

● **CHLORIDE GROUP** pre-tax profits rose to £29m (£25.1m) in the year to March 31, and the company expects further growth. Page 20 and Lex

● **ENGLISH CHINA CLAYS** first-half pre-tax profits rose to £29m (£25.1m) in the year to March 31, and the company expects further growth. Page 20 and Lex

#### Disruption

● **POST OFFICE** said that the net of the disruptive one-day strike by members of its management staffs' Association 11 days earlier but the union said that 90 per cent of its 700 members had joined the strike. Page 14

#### Alvage bid halts

● **WEATHER** halted Royal Navy attempt to salvage the wreckage of the Tornado combat aircraft which crashed 14 miles off the coast on Tuesday. The helicopter rescue was guarded by the navy. Page 14

#### 120,000 atlas

● **INSURANCE** maritime atlas valued at £120,000 as Christie's auctioned the collection of American entrepreneur Arthur A. Hays Sulzberger. Two days of sales in New York ended with a total of \$1,555,315—well above forecast.

#### riely

● **DEATHS** in western Jamaica after two days of heavy rainfall have killed 32 people, with 20 others missing.

● **MESSAGE** advertising agency is to be used for portraying Peter's cartoon character Lucy as a woman. United Features aims Lucy's wholesome image as been tarnished and seeks \$10,000 compensation.

### HIGH PRICE CHANGES YESTERDAY

Prices in pence unless otherwise indicated

BSX	345 + 22	English China Clays	54 - 11
Bank of England	50 + 18	GUS "A"	358 - 16
Bank of Ireland	50 + 17	Hambros	282 - 12
Bank of Scotland	694 + 28	Health (C. E.)	190 - 8
Bank of Wales	687 + 21	Leadbroke	186 - 10
Bank of Cyprus	225 + 1	London Brick	107 - 5
Bank of Greece	115 + 1	Morris and Spencer	345 - 10
Bank of India	110 + 1	Reckitt and Coleman	445 - 20
Bank of Japan	110 + 1	Robertson Foods	140 - 16
Bank of Korea	254 - 16	Rowntree Macs	400 - 15
Bank of Malaysia	300 - 18	Sharna Ware	172 - 15
Bank of New Zealand	135 - 15	Sulzberger Inds	300 - 26
Bank of Norway	206 - 7	Taylor Woodrow	356 - 14
Bank of Portugal	533 - 12	Whitby (G.)	74 - 28
Bank of Spain	281 - 15	Wm. & Wm.	136 - 7
Bank of Sweden	114 - 18	Cops. Gold Fields	235 - 7
Bank of Switzerland	286 - 17	Prato-Wallend	290 - 14
Bank of the Netherlands	273 - 20	RTZ	294 - 6
		Western Mining	128 - 11

## Banks put up base lending rate in line with MLR

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The cost of a bank overdraft will rise sharply following yesterday's decision by all the clearing banks to increase their base lending rates by two points to 14 per cent.

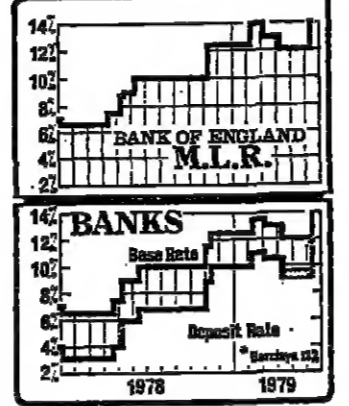
This means that a top-quality industrial customer will pay 15 per cent, while the cost of overdrafts for other borrowers will be between 17 and 19 per cent. The rise in base rates is exactly in line with the increase in Minimum Lending Rate announced on Tuesday. This unexpected tightening of the credit squeeze was fully explained yesterday by new official figures showing that bank lending has remained very buoyant.

Bank lending in sterling to the UK private sector rose by \$869m in the month to mid-May, while the underlying rate of expansion of sterling M3, the broadly-defined money supply, has been above the upper end of the official target range.

City doubts about the Budget and about the inflation prospects were reflected yesterday in a further fall in stock market prices. The FT 30-share index dropped by 14.7 to 474.2 following a 12.5 fall on Wednesday; the index has now declined by 15 per cent since the election.

There were especially sharp falls in the share prices of big exporting companies which might be hard hit by the combination of large pay rises and a firm exchange rate.

Prices of long-dated milit-



## International economic plan urged by Richardson

BY DAVID FREUD

WIDESPREAD co-ordination of economic and financial targets by the major powers was the best hope for the international economy, Mr. Gordon Richardson, Governor of the Bank of England, said yesterday.

In the Henry Thornton Lecture at the City University, London, he said such co-ordination "may comprise the most realistic framework in which the international economy and policy of the late twentieth century can survive, and perhaps ultimately again thrive."

The address was called "The Prospects for an International Monetary System." It represents a major statement of the Bank's views on international economic developments.

The Governor went considerably further in attacking the present system of floating, or semi-floating, exchange rates than he has in the past. He said recent experience suggested that attempts to adjust to countries' differences in economic performance through flexible exchange rates had severe limitations.

The key reasons for this were that the exchanges fluctuated on a far shorter time scale than that required to make fundamental adjustments, the statistics were not reliable enough to ensure that the correct action was taken, and efficient industries were hit as much as inefficient ones.

The Governor went on to point out that central bankers could only obtain stability on the exchange markets if there were co-ordinated intervention policies and a broadly consistent set of domestic policies.

This was the pattern that had begun to develop. "The increasing resort to summits, diplomacy, and the collaborative measures of November 1, 1978, may be seen as steps towards greater co-ordination and compatibility of individual economic management and exchange rate policies between regions or major powers."

Within this context the Governor reiterated his cautious welcome for the objectives of the European Monetary System. He described the emergence of the system as "an attempt both to achieve greater regional exchange rate stability and ultimately, it may prove, to make a regional contribution to the world's reserve asset problem."

The Governor also suggested that, contrary to recent experience in some countries, exchange rate and domestic monetary policies could be used in a complementary rather than a competitive manner.

"In attempting to reduce inflationary expectations and inflationary wage settlements, the declared constraints of an exchange rate and a monetary credit target can often usefully reinforce each other," he said.

## RTZ to rescue Wheal Jane

BY PAUL CHEESEWRIGHT AND JOHN ELIOTT

THE FIRST major investment decision directly attributed to RTZ issued a statement which said its decision to undertake a more detailed examination of the mine was a response to the "new thinking outlined by the Chancellor of the Exchequer in his Budget speech, which requires a positive response from industry."

This message was sent to the Government and was regarded by Ministers as support for their view that taxation incentives, rather than state aid, are the best way to encourage companies to invest.

A spokesman for the Confederation of British Industry said it was "delighted to see this early evidence of a new spirit related so directly to the Budget."

Opponents of industrial aid schemes fostered by the last Government will point to the decision as evidence that public money could be saved if the schemes were cut back and if those which remain were subjected to tougher criteria.

Sir Keith Joseph, Industry Secretary, whose Minister of State, Lord Trenchard, has been handling the Wheal Jane case, is now conducting a detailed review of the aid schemes.

The chance of Wheal Jane's Continued on Back Page

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## Gormley stays as miners' leader

By Christian Tyler and Roy Parnham

MR. JOE GORMLEY, president of the National Union of Mineworkers, publicly confirmed yesterday that he had decided to stay on in the job in order, he said, to ensure that the Government maintained the huge public investment in the coal industry.

He has changed his mind about retiring before the end of the year, after castigating the latest militant remarks of Mr. Mick McGahey, NUM vice-president and strongest contender for the succession.

He said he could see no possibility of his going before the union's annual conference in July next year. If he sticks to that date, it will rule out Mr. McGahey, who is 55 next May, on grounds of age.

Mr. Gormley's pronouncement, and his determination not to see the union and the Government at each other's throats, will come as a relief to Ministers. They cannot have viewed with equanimity the possibility of Mr. McGahey, who is chairman of the Communist Party, taking the reins.

Without naming Mr. McGahey, the NUM president interpreted the remarks Mr. McGahey made at the Scottish area NUM conference on Wednesday to mean that the union should "use its industrial strength to change the political complexion of the government."

That was not the role of a trade union, and was tantamount to saying: "We don't believe in democracy."

Mr. McGahey said yesterday that he had never called for the NUM to bring the Government down, but only that the Labour movement should help to create a situation in which an early General Election would be brought about through the democratic process.

"As far as Mr. Gormley's early retirement is concerned, that is a matter for him, and he doesn't appear to be very decisive."

"I would be honoured to serve as national president, but if I cannot do so I shall continue to serve in the post of Scottish president and I hope with the confidence of the national union, as vice-president."

"I am confident that if I am unable to stand, the Scottish miners will support and fight for the most progressive candidate in the field — and Arthur Scargill (Yorkshire area president) I look upon as a most progressive man with whom I have a lot in common."

Scots miners want 60% Page 14

## Healey tops 'shadow' list in close vote

BY RICHARD EVANS, LOBBY EDITOR

MR. DENIS HEALEY topped the elections to the shadow Cabinet last night, but he was closely pursued by Mr. John Silkin and Mr. Peter Shore, who are rapidly emerging as leading contenders for the Labour Party leadership when Mr. Callaghan retires.

The contest, a crucial indicator of support among Labour MPs who form the electoral college for the party leadership, produced a remarkably even ballot between left and right, and showed how open the fight for the leadership has become.

All the top three have been given key roles in Opposition by Mr. Callaghan, with Mr. Healey remaining surprisingly, after so many arduous years, as economic affairs spokesman; Mr. John Silkin shadowing industry; and Mr. Shore as foreign affairs spokesman.

The next two names in the list, Mr. Ray Hattersley and Mr. Eric Varley, are also likely leadership candidates. But Mr. Varley, who becomes employment spokesman, has probably a better chance to shine in Opposition than the ambitious Mr. Hattersley, who shadows environment and housing.

Mr. Healey, who gained 133 votes, must remain favourite for the succession, but at 61 he must hope that Mr. Callaghan will retire early in the present Parliament. There is also a question mark over the former Chancellor's close identification with the policies of the last government, which were rejected so substantially at the general election.

Perhaps the most impressive showing was that of Mr. Silkin, 45, who gained 125 votes and came up 10th in party standing because of his fierce anti-market attitudes and his tough negotiating in the Brussels as Agriculture Minister.

Mr. Silkin, who had the support of the Tribune group, clearly also gained the backing of many anti-market but not necessarily Left-wing members of the Parliamentary Labour Party. He is also a former Cabinet Minister and is a former party Chief Whip.

The performance of Mr. Shore was also impressive, as he was neither on the Tribune group slate nor that of the Manifesto group of moderates. He is also an anti-marketeer and has the advantage of being regarded as a Left-winger, although he has moderated many of his views in recent years and has gained the respect of a wide range of party opinion for his abilities. He is well placed as a leadership contender.

Further down the pecking order are Mr. Stan Orme, who returns to health and social services in Opposition; Mr. Albert Booth, who shadows transport; and Mr. William Rodgers, one of the most articulate right-wingers, who takes on defence.

Near the bottom of the successful candidates were Mr. Merlyn Rees, who stays as home affairs spokesman, as well as covering Commons procedure; Dr. David Owen, who is made energy spokesman; Mr. Roy Mason, who takes on the sensitive Common Market subject of agriculture; and Mr. John Smith, former Trade Secretary, who will speak on trade and prices.

The remaining members of the shadow Cabinet and their portfolios will be chosen and announced by Mr. Callaghan next week.

There was an immediate move at last night's meeting of the PLP by Mr. Anthony Wedderburn-Benn, who did not stand for the shadow Cabinet, to ensure that in future all the membership is elected by MPs instead of just the top 12 as at present. The proposal is to be considered by the party's National Committee, but is unlikely to be accepted.

Mr. Michael Foot, who did not stand for the shadow cabinet because of his role as Deputy Leader, is to be shadow Leader of the House, as well as retaining responsibility for devolution.

Leading contenders who did not make the top 12 were two Labour members of the National Executive Committee, Mr. Eric Hoffer and Mr. Neil Kinnock. They were followed by right-winger Dr. Dickson Maban and the Left-wing Mr. Norman Brown.

The two members of the outgoing Cabinet who did not succeed in the elections were Mr. Bruce Millan, former Scottish Secretary, and Mr. Fred Mollath, former Defence Secretary, who came well down the list. Former Ministers Mr. Gerald Kaufman and Mrs. Judith Hart, made a Dame in Mr. Callaghan's dissolution honours, also failed to be elected.

Details, Page 14

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## GREAT ASSURANCE

EUROPEAN NEWS

Hopes of major Norwegian oil discovery

BY KEVIN DONE, ENERGY CORRESPONDENT

THE RESULTS of the latest exploration well on the so-called "golden block" in the Norwegian sector of the North Sea have strengthened hopes of a major new oil discovery.

Statoll, the Norwegian state oil company, which is the operator for the block, said yesterday that it was "very optimistic" about the discovery. It has refused to speculate on the field's potential reserves, but it is understood that the discovery could eventually come close to rivaling the large Statfjord field, the biggest oil field yet discovered in the North Sea.

The latest well was the third to be drilled on the block. Two separate structures have been identified on block 34/10, but the main attention is being concentrated on the earliest find.

The latest well was drilled to appraise the wildcat discovery well drilled last year, which produced flows of crude oil of up to 6,600 barrels a day in several tests.

Results of this second well on the structure were released this week and show that three tests produced flows of crude oil of up to 2,800 barrels a day.

Statoll, which has an 85 per cent interest in the block—the

remainder is held by Norsk Hydro and Saga Petroleum—is planning to drill two more wells on this structure before the end of the year.

Meanwhile, the Norwegian Petroleum Directorate has approved a proposal from the Phillips group for a pilot project to test an enhanced recovery scheme for the Ekofisk field, the main field already in production in the Norwegian sector.

If successful, the plan to begin water injection could significantly add to the recoverable oil reserves in the seven-field Ekofisk complex.

Phillips Petroleum, the operator for the Ekofisk area, said yesterday it would be investing \$14.5m in the pilot project. It is currently able to recover only between 15 and 20 per cent of the oil in place, but water injection could boost recovery to 25-30 per cent.

First water injection is likely to begin in 1981. If the method is successful it will be applied to all the fields in the area.

The injection of either water or gas into an oil reservoir is a standard way of improving the level of recovery and is already being used on several fields in the UK sector of the North Sea.

French curb immigrants

BY DAVID WHITE IN PARIS

FURTHER CONTROLS on immigrant workers in France are contained in a Bill approved by the Cabinet this week.

The Government plans to tighten up on renewal of the work and residence permits held by the country's 4.1m immigrants.

Under the new rules the ordinary work and residence permit will last for three years. Initial plans for one-year papers met fierce protest from the left-wing unions. This will

mean a larger measure of security for many foreign workers currently on one-year papers—that is if their papers are renewed. The rules make this much less automatic than before.

Unlike "privileged residents" whose ten-year permits will be renewed automatically most will be at the discretion of the prefect of each department, "in the framework of a departmental quota corresponding to job possibilities."

Restrictions on driving urged in Holland

By Charles Batchelor in Amsterdam

THE NETHERLANDS should ban driving on certain days and levy higher taxes on cars with heavy petrol consumption if the Government's appeal for voluntary savings fails. These recommendations are contained in a report drawn up by the General Energy Council, a government advisory body on energy problems.

The council singled out motor fuel as requiring special attention since the demand for this and other distillates such as jet kerosene and gas oil could lead to sharp price rises on the Rotterdam oil spot market. Only a few months remain to build up the Netherlands' depleted oil supplies if the appeal for voluntary cuts fails, it said.

Mr. Dries van Agt, the Prime Minister, has already indicated he is gloomy about the prospect of achieving the savings by voluntary means. The Government has said however that it would wait until mid-summer before taking further measures.

Immediate action which could be taken to cut the use of fuel by car drivers includes tighter controls on speed limits, restrictions on the opening hours of petrol stations, and a ban on car driving on certain days. It also suggested encouraging car-pooling by allowing cars with three or more occupants to use bus and taxi lanes.

Longer term measures include putting sharply progressive rates of tax on new cars which consume a lot of petrol. Tax measures could also be used to stimulate the use of diesel-engined cars.

A majority of MPs in Parliament appeared in favour of enforcing savings during a debate on the Government's voluntary measures, which were first announced in April.

With the exception of the Liberals, the junior partner in the two-party ruling coalition, all parties were in favour of imposing restrictions.

CARTER AND BREZHNEV SET TO SIGN ARMS TREATY ON MONDAY

Wary Soviet approach to summit

BY DAVID SATTER IN MOSCOW

ON THE EVE of the U.S.-Soviet summit meeting in Vienna, the first in more than five years, a mood of resignation and wariness prevails on the Soviet side.

The Communist Party newspaper Pravda, in its definitive review of the Soviet position before the meeting, has called for new moves toward disarmament but says that because of the activities of those opposed to détente, the development of Soviet-U.S. relations has become "noticeably more complicated in recent years."

The tone appeared to reflect sadness rather than anger.

The drafting of the second Strategic Arms Limitation Treaty will be completed in Geneva this weekend after six-and-a-half years of negotiation and the document should be ready for signing by President Carter and Mr. Leonid Brezhnev, the Soviet President, on Monday.

There will also be, during the next few days, much of the symbolism of great power equality and co-operation which is deeply important to the Soviet Union.

There is no reason, however, to expect major progress on any of the remaining basic issues—the Middle East, Africa, disarmament or human rights—over which the Soviet Union

and the U.S. have clashed in the recent past.

The Soviet delegation includes Mr. Andrei Gromyko, the Foreign Minister, Mr. Konstantin Chernenko, Mr. Brezhnev's top aide, Mr. Dmitri Ustinov, the Defence Minister, and Marshal Nikolai Ogarkov, the Chief of Staff.

The presence of Mr. Ustinov and Mr. Ogarkov is taken as further confirmation that the Soviet Union would like to discuss a wide range of disarmament measures, including possible progress in the long deadlocked European troop reduction talks, agreements on conventional weapons transfers, a nuclear testing ban and the proscribing of killer satellites.

No substantial movement in any of these areas is expected, however, in the approximately nine hours of talks that the leaders have scheduled for Saturday, Sunday and Monday. It appears equally unlikely that President Carter will be able to persuade Moscow to moderate its deep opposition to U.S. policies in the Middle East or southern Africa.

More important may be the impressions they take away with them, and a matter of considerable importance for the Soviet side will be the respect with which they are treated by President Carter and his aides.



President Leonid Brezhnev

The shadow of Senate ratifications of SALT II is inescapable here both because the treaty is by far the most significant sign of progress in Soviet-U.S. relations and because Moscow has already made gestures, both in its treatment of dissidents and in foreign policy, to appease Senate opinion. It may be forced to make many more.

The Soviet leaders want détente for political, military,

economic and psychological reasons, but there is no guarantee they will pay the price for it if, in encounters with American leaders, they are not accorded the respectability which, for them, is one of the principal rewards of détente.

The Pravda editorial recalls that during the war the Soviet Union and the U.S. were allies, and relations developed on the basis of "equality and mutual confidence." This equality and co-operation is what the Soviet Union wants today but it wants it on its own terms and without regard to Soviet internal practices or foreign policy in areas not directly bearing on bilateral relations with the U.S.

Pravda says that relations are at a complicated and "contradictory" stage and it is necessary "to draw the proper conclusions" from the "objective processes" before it is "too late."

With Mr. Brezhnev obviously in failing health and with the need for a new balance of forces in the ruling Politburo to make Soviet policy in the post-Brezhnev era, the "proper conclusions" in Soviet eyes may be greater tolerance for their foreign and domestic policies, and before it is "too late" may mean very soon.

Andreotti, Thatcher talks today

By Rupert Cornwell in Rome

EUROPEAN PROBLEMS, notably the EEC budget and the mechanism of the common farm policy, will be at the centre of talks in London today between Mrs. Thatcher and Sig. Giulio Andreotti, the Italian Prime Minister.

The visit of the Italian leader is at the invitation of Mrs. Thatcher, who thus completes an initial series of meetings with the leaders of the other major Common Market countries, after talks with Chancellor Helmut Schmidt and President Giscard d'Estaing.

The primary function of the talks will be exploratory and to help prepare for the forthcoming European Council in Strasbourg and the Western Industrial summit in Tokyo. Although only caretaker Prime Minister, Sig. Andreotti will be representing Italy on both occasions.

More important, however, will be whether common ground can be established between the two leaders for a co-ordinated approach on key Community issues. Both countries are resentful of being among the poorest EEC members and among the largest contributors to the budget.

Similarly, Italy shares several of Britain's grievances against the Common Agricultural Policy as it currently operates. It may find the less rancorous approach of the Conservative Government more to its taste.

Another point likely to be raised by the Italians concerns Britain's position on membership of the European Monetary System, once the first review of its working has been carried out in September.

Big investment rise foreseen in W. Germany

BY ROGER BOYES IN BONN

WEST GERMAN industrialists expect real investment in the manufacturing and mining sectors to increase by a healthy 7 per cent this year, according to a survey for release today by IFO, the Munich-based economic research institute.

The report, based on an analysis of the 1979 plans of some 4,000 concerns, reflects the generally high confidence in the German investment climate despite uncertainties over the energy outlook.

IFO noted that investment in manufacturing industry rose last year to DM40.1bn (£10.2bn)

which, after adjustments for price rises, also represents a 7 per cent increase.

A total 54 per cent of the industrialists questioned by IFO said that they would increase investment this year, 25 per cent said they would maintain the 1978 level while 21 per cent said they were intending to cut investment in 1979.

Capital goods investment, IFO said, was proving to be the main force behind the current economic upswing. Although the investment increases are likely to affect every manu-

facturing sector, capital goods will attract the most investment, with an anticipated increase of 11-12 per cent.

Basic and production goods, as well as the mining industry, will also benefit from a significant rise in investment. And after particularly low investment growth in 1978, the iron and steel industries are planning to raise their investment by over 20 per cent.

Despite the optimistic tenor of the IFO report, the institute has not qualified its earlier conclusion that medium-term

investment growth was destined to slow down considerably. An IFO report in March predicted an annual average real growth of only 4.1 per cent between 1979 and 1983.

This figure is generally considered to be too low to reduce unemployment

Bleak 1980s outlook for industry in Sweden

BY WILLIAM DUFFLORCE IN STOCKHOLM

FAR-REACHING changes will have to be made in the Swedish economy in the next decade, but growth will be much lower than in the 1950s and 1960s. Some 137,000 jobs in industry are threatened.

This is the message of a 370-page study, released yesterday by the Independent Industrial Economic Research Institute.

To solve economic problems a much closer alignment had to be achieved in the aims of workers, managers and politicians, the study said. Expansion of the public sector had to be curbed: Sweden had to accept a slower improvement in incomes and the inflation rate had to be kept low enough to give investors faith in the return on their capital.

The institute took as a reference point an annual growth rate of 2.6 per cent in Sweden's GNP during the first half of the 1980s. Even this moderate growth called for optimistic assumptions compared with developments in the 1960s, when GNP growth averaged 4.5 per cent a year.

The institute's model postulated 4 per cent GNP in OECD countries, a 5 per cent annual increase in Swedish consumer prices, curbs on domestic con-

sumption and an increase in real disposable incomes of less than 1 per cent a year.

Even with exports growing faster than imports, at annual rates of 5.7 per cent against 4.3 per cent, it expected Sweden's net foreign indebtedness to grow to about 11 per cent of GNP in the first half of the 1980s.

For the iron mines to reach satisfactory profitability by 1985 prices and costs would have to develop more favourably than at any time since the war. The institute questioned whether Sweden could run a steel industry based on iron ore and said 38,000 of the 50,000 employed in the industry risked losing their jobs.

Some 40,000 of the 55,000 jobs in the shipyards and shipping companies were threatened. The study argued that national subsidies were only giving other countries more time to catch up.

The institute calculated that 50,000 of the 196,000 employed by the forest industries could lose their jobs.

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# The Italian Communist power-struggle is being watched anxiously by the other parties Election setbacks likely to strengthen hard-liners

BY PAUL BETTS IN ROME

CONTINUOUS debate now started inside the Communist Party serious setback in election and the risks making forming a new even more difficult

In the past 24 hours, the leadership has assessed the implications of the party's first setback, and already there is a bitter controversy about the policy and leadership.

In an uncertain situation, political parties, the long-ruling Democrats and the Communists are anxiously awaiting the outcome of the Communist examination and the role of the Communist

central committee at the end of the month.

During the next weeks, the Communists are due to elect a directorate and secretary, which could see some major changes in the party hierarchy. The new leadership structure was to have been chosen at the end of the party congress in March but it was decided to postpone the nomination until after the general and European elections.

Although the Congress confirmed Sig. Enrico Berlinguer as secretary-general, he is now under intense pressure following the electoral setback and the apparent failure of the "compromesso storico".

This grand alliance of all democratic forces was proposed essentially to bring the Communists gradually into government directly with the Christian Democrats.

The new leadership structure is likely to be much more collegial than in the past and could well see the appointment for the first time of two deputy secretaries-general, flanking Sig. Berlinguer. A major reshuffle of the top leadership is also expected and certain members of the hierarchy could well lose their posts.

These appointments will give the first tangible clue to the political direction the party intends to take. It is generally assumed that a number of hard-liners, who have been increasingly critical of party policies in recent years will emerge in key positions.

The immediate issue facing the Communists is the role Sig. Pietro Ingrao will assume in the party. A highly respected party member and former president of the Chamber of

Deputies, he has for some time been identified with the left of the party and has also been an outspoken critic of party policies. In the general election he was one of the few Communist candidates to see his preference votes increase compared with the 1976 election.

However, as the first Communist president of the Chamber, Sig. Ingrao has inevitably had to devote more time to his institutional tasks rather than to party activities. Although Sig. Berlinguer and other top Communists would like him to stand again for president of the chamber, Sig. Ingrao has made it clear he wants a more active role in the party.

The appointment of Sig. Ingrao among the new party leaders would not only be significant, but would also make more difficult the election of a

new president of the Chamber. So far, all the parties have indicated they would support Sig. Ingrao's candidature for the chamber, as well as reconfirming the veteran Christian Democrat, Sig. Amintore Fanfani, as president of the Senate. But should Sig. Ingrao not stand, other parties could well decide to propose their own candidates.

In any event, the Communists in the last 24 hours have explicitly confirmed their decision to return to opposition unless they are given seats in the Cabinet.

This raises the crucial question of what sort of attitude the party intends to adopt in opposition, especially if hard-liners prevail in the current debate.

Both the Christian Democrats and Socialists are deeply concerned about the adoption of a tough Communist opposition

line, which would make Italy extremely difficult to govern at a time of renewed economic and social anxieties.

The Christian Democrats have already indicated they will try to persuade the Communists to participate in a governing alliance short of their direct entry into government. However, they themselves are by no means united.

The elections have not proved the success the party had hoped. Moreover, it is in the throes of traditional manoeuvring in anticipation of the congress next autumn.

As for the Socialists, who will play a central role in the formation of the new government, they are playing a waiting game to see how the cards will fall during the next few weeks inside the Christian Democrat and Communist parties.



Sig. Enrico Berlinguer

## Soviet economy recovers slightly

By Our Moscow Correspondent

THE SOVIET economy has recovered only slightly from a disastrous first quarter, when production lagged behind last year's levels. Newly released figures show plan targets for January to May were exceeded slightly, but they also display some serious weaknesses in key areas.

Volume of production as a whole during the five months rose only 3.6 per cent, compared with 5.7 per cent called for in the 1979 plan. Productivity was up by 2.5 per cent, compared with a goal of 4.7 per cent.

Eight industrial ministries and two highly developed republics, the Ukraine and Estonia, failed to reach their targets. One of the most serious shortfalls was oil which, at 48.2m tons, was 2m tons short of the May goal.

The Soviet Press says the oil industry is now 3.1m tons behind this year's plan, but Western observers think the gap is nearer 7m tons.

Coal production increased to a five-month total of 306m tons. The Russians claim this is 4.7m tons over plan, but on the basis of published goals, it is actually 7m tons short. Gas continued to perform strongly, advancing 9 per cent over the similar period in 1978.

The Soviet chemicals sector is still experiencing difficulties, particularly mineral fertilisers, which are 8 per cent below last year's output level. Machinery building is also lagging badly and the Press is complaining that the industry now owes the economy equipment worth roubles 800m (£594m).

The timber and paper industries, too, are in a very serious situation, partly because of railway bottlenecks.

### Swiss output up

INDUSTRIAL production in Switzerland rose 3 per cent in the first quarter of 1979 compared with the same period last year, after exclusion of water, gas and electricity production, whittles John Wicks in Zurich. Output volume, was 12 per cent lower than for last year's final quarter, but this is a usual seasonal phenomenon. The most important growth rates were those in machine building and metals, the leather, rubber and plastics group, and the paper industry.

## us to quit Austrian position chief

Our Vienna Correspondent

OSEF TAUS, leader of the e's Party, the main opposition party, has not yet decided whether to seek re-election. The 48-year-old former banker, has twice been defeated in elections by Chancellor o Kreisky, said that dissent over reform of the structure was the main in for his decision.

His successor is likely to be Alois Mock, leader of the e's parliamentary group, a year younger than Dr. Taus and worked as a junior diplomat and secretary to a former Chancellor, before promotion to the post of Minister of Education.

A few weeks ago, Dr. Taus's colleagues publicly pledged loyalty to him, saying no one could have done against the Socialists who lifted from the great prestige of Dr. Kreisky. The People's Party is a coalition of three lobbies representing the interests of farmers, businessmen and Catholics. This structure, coupled with the power of the provincial governments, is seen by Dr. Taus as a major barrier to a much needed centralisation of party decision-making and financial resources.

## E. Europe petrol prices go up in bid to cut imports

BY PAUL LENDVAI IN VIENNA

STEEL PRICE increases for petrol and petroleum products have been announced this week by the Hungarian and Romanian governments. Scinteia, the Romanian party newspaper, publicly demanded co-ordinated efforts within Comecon to cope with the fuel crisis.

Romania has increased the price of petrol and oil by 40 per cent and also demanded stringent economy measures in public administration. Although it is the second largest oil producer in the east bloc after the Soviet Union, output has been falling continuously. It reached a low of 13.7m tons last year and in March President Ceausescu revealed that domestic output was below the level of imports.

In a lengthy editorial on the eve of the price increase, Scinteia said that co-operation in fuel and energy policy was still not adequate. It recommended "firm" action to launch co-operation ventures in order

to reduce Comecon oil imports. Romania is the only Comecon country which does not import any Soviet oil. Neighbouring Hungary, which gets 80 per cent of its imported energy and over 90 per cent of its crude imports from the Soviet Union, increased the average price of petrol by 20 per cent on Tuesday.

This is the second rise this year—in the first week of January petrol prices went up by 25 per cent. The announce-

ment said Hungary cannot be isolated from the rising price of oil on the world market. An additional factor is the beginning of the tourist season and the arrival in Hungary of several hundred thousand foreign cars.

Among other East European countries, Bulgaria, which covers only 2 per cent of its oil consumption from domestic resources and imported 12m tons last year, doubled petrol prices in mid-May after a

similar price increase in 1978. Furthermore the Government imposed a car ban on alternate weekends.

Neighbouring Yugoslavia, which has to import 12m tons of crude this year in addition to a domestic output of 4m tons, raised petrol prices in May by on average 13 per cent, the second increase within six months.

The oil bill accounts for one-third of the country's foreign trade deficit. In addition, the

Government reduced the maximum speed limit and Yugoslavs are forbidden to drive one weekend each month and one working day every week.

Czechoslovakia also faces severe fuel problems, which have become even more acute as a result of the likely cancellation of the three-cornered Soviet-Iranian-Czech deal. This would have provided Czechoslovakia massive deliveries of natural gas in the 1981-2003 period involving a sum of \$2.5bn under a 1976 contract. The Soviets supply 93 per cent of Czechoslovakia's oil needs, delivering this year 18.3m tons.

Owing to the winter energy crisis Czechoslovakia has had to import an extra 300,000 tons of crude from non-Comecon sources this year.

Fuel supply problems figured prominently in talks Soviet leaders have conducted in Hungary and Czechoslovakia in the last few weeks. It is understood that the Soviets told their East European allies that they will have to introduce stringent economy measures and raise petrol prices to dampen demand.

Even in the field of coking coal for steel production, substitution would be needed if, as predicted, world steel production rose from the current 700m tonnes a year to 1bn tonnes a year by the end of the 1980s.

Lurgi, together with British Steel, have developed a method for converting lower qualities of coal to coking coal that could be used without problems in conventional blast furnaces.

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## Governments urged to draw up oil substitution plans

BY GUY HAWTIN IN FRANKFURT

OIL SUBSTITUTION processes, such as coal gasification and exploitation of oil shale, are rapidly becoming paying propositions as a result of this year's oil price increases. This was claimed yesterday by the West German Lurgi group, one of the market leaders in the field.

The heavy engineering group urged governments and corporations to start planning for introduction of oil substitution as soon as possible because of the long periods needed for planning and construction of plant.

Herr Heinz Hiller, a member of Lurgi's executive Board, said that with crude oil prices above \$20 a barrel, plant for the production of oil from shale has become competitive. A plant for converting German brown coal to methanol fuel would be economic at an oil price of \$23 a barrel.

The imminent appearance of oil substitution as a paying proposition was illustrated by the price of \$21.40 per barrel set for Libyan crude and the \$27 per barrel

reached on the Rotterdam spot market.

While oil currently still has a substantial edge on substitute products, recent trends have shown that oil prices will continue sharply upwards, he said. Current oil reserves of an estimated 90bn tonnes covered 30 years' consumption and the shortage of supply would inevitably lead to higher prices.

Herr Hiller said that, although plant for the conversion of coal to benzene and light oil was estimated to be between five and 10 times as

expensive as an oil refinery, rising oil prices were rapidly making it competitive.

A coal conversion plant, designed and conceived for South Africa, for instance, could produce benzene and diesel oil at the equivalent price of \$25 a barrel. An important by-product of the plant was methane—as in natural gas.

However, from planning to production required four to five years. During this time, the plant would become far more competitive as the oil

price was bound to increase at a faster rate than that of coal.

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## EUROPEAN NEWS

## Labour unrest hits Spain as inflation rate surges

BY DAVID GARDNER IN MADRID

LABOUR UNREST has again come to the fore in Spain. Pilots of Iberia, the national airline, are planning to extend their six week old work to rule out an indefinite strike, which in the northern region of León have just temporarily ended a seven-day occupation of local mines, while the country's 30,000 shipyard workers begin a third day of stoppages today.

Although each dispute has different roots, the rise in labour unrest looks bad for the Government. It is probable that Spain's collective bargaining agreements will have to be renegotiated if this year's rise in the consumer price index tops 8.5 per cent by the end of the month.

The Iberia pilots' work to rule has caused the cancellation of an average dozen, mostly internal flights, a day over the past six weeks.

The dispute is over conditions: pilots' representatives claim that a further 400 pilots are

needed in addition to the existing 812. They claim that this is the fundamental reason for flight schedule disruption, merely highlighted by their right to rule.

The pilots' organisation SEPLA has therefore begun proceedings for a legal strike, of indefinite duration. This will effectively ground all internal and international flights in about eight days' time unless agreement is reached.

Spain's 60,000 shipyard workers, meanwhile, plan to extend the one-hour stoppages carried out on Tuesday and Wednesday into further stoppages and demonstrations today. They plan to escalate action until the Government implements the 1980 restructuring scheme agreed with the unions last summer.

But the miners' dispute in León has been the most dramatic labour conflict this year. It began when 90 miners from the Antracitas de Fabero com-

pany occupied a mine, holding four executives hostage until they were guaranteed payment of three months outstanding wages.

The non-payment results from the state-owned utility Endesa, which owes some Pta 32m (£22m) to local anthracite producers. After a seven-day sit-in, the conflict has been temporarily resolved by the Government releasing Pta 800m to Endesa.

The miners freed the remaining two executives yesterday morning—two had already been released for health reasons—and accepted payment of their March wages as evidence of good faith.

However, Antracitas de Fabero has only received Pta 24m of the Pta 116m owing from Endesa, and the miners threaten to re-occupy the mine unless they are promptly paid. The dispute prompted a general strike in the region.

## Hope of breakthrough in struggle for a new Lomé convention

BY MARGARET VAN HATTEM IN BRUSSELS

A BIG struggle is going on in Brussels ostensibly to ensure that the man on the Yimbuku omnibus continues to receive, each year, the sum of \$4 from his legendary counterpart in Clapham.

Probably neither of them knows anything about the deal, or about the Lomé convention which guarantees it, or of the battle to keep it going.

Like so many EEC ventures, the convention has failed to become a household word. But, unlike more ambitious efforts in Third World development—such as the North-South dialogue, UNCTAD 5 or the plans for a common fund for third world commodities—it became a reality. Whether it is to outgrow its sickly infancy may be decided within the next month or two. Last month talks broke down.

The Lomé convention 1976-80, successor to the earlier Yaounde agreement by including the former British colonies, grew out of a mixture of self-interest and altruism. The Nine tried to reconcile a genuine desire to help the then 46—now 67—African, Caribbean and Pacific nations (most of them former European colonies) who made up the ACP group; a wish to promote trade and protect their investments in these countries; and a fear that other third world commodity producers might follow the OPEC example and squeeze their Western clients.

It started out with a budget of about 3.4bn Units of Account (S4.4bn) for the five years. This covered a 375m UA fund, known as Stabex, to compensate losses in earnings from exports of several major ACP primary products (mostly unprocessed or semi-processed farm products) and provided loans and grants for development projects (emphasising rural development). The convention provided free access to EEC markets for 99 per cent of ACP goods (mostly farm products—goods which might compete with EEC products, such as temperate farm products and certain manufactures, were excluded). It guaranteed access to EEC markets at the Community's own supported prices for a fixed quota of ACP sugar, and it included special provisions for restricted access to EEC markets for beef, rum and bananas.

The signing took place in Lomé, capital of Togo, on a wave of euphoria. The EEC was delighted to be showing the rest of the industrialised countries how to go into partnership with the third world. The ACP countries,

having welded a very artificial union into a truly cooperative effort, were savouring a new sense of power. People began to talk about a new economic order in the world.

**Signed in a wave of euphoria, the Lomé convention has left developing countries with the feeling that the agreement they got was not the one they signed. They are looking for big changes in the successor pact.**

But the post-oil shock recession didn't bottom out, it got worse. EEC unemployment rose. The ACP didn't form community cartels, they began to act like people who didn't know each other awfully well, and weren't sure they had a lot in common. Various bits of the convention began to behave in a way some of the signatories had not foreseen. The ACP were selling more food to the Community, particularly to Germany, France and the Netherlands. Their exports grew by 20 per cent a year. But this was quickly overtaken by their imports of machinery and capital goods from the EEC, particularly Germany, France and Britain. Within four years, the ACP's \$5.7bn trade surplus with the Community had turned into a deficit.

The sugar protocol—which is important to Mauritius, Fiji, Guyana, Swaziland and Caribbean states like Jamaica, Barbados, and Trinidad and Tobago—left a bitter taste in everyone's mouth. Basically, it is a deal to allow these Commonwealth countries to maintain traditional sales of raw sugar, mainly to the UK refiner Tate and Lyle, whose facilities are geared to cane sugar and cannot be adapted to beet sugar manufacture. The protocol involves about 1.4m tonnes of raw sugar a year, and is hotly resented by the powerful EEC beet lobby, led by France.

Although the ACP are guaranteed access to prices "within the EEC range", the sales are strictly private commercial deals and no EEC funds have yet been involved. This has not prevented the EEC commission from writing off as a "develop-

ment aid" the hefty subsidies paid to its own producers to dump a corresponding amount of surplus EEC sugar on world markets.

Similar problems cropped up with the arrangements for rum, bananas and beef. Some parts of the convention worked quite well as far as they went. Stabex, for example, gave much-needed relief to small countries such as Benin, Burundi and the Ivory Coast when crops failed or prices fell. But it could do little for the bigger countries or for mineral producers, whose products were not covered. The ACP began to feel the convention they had got was not the one they signed.

They may have expected too much, both of themselves and of the EEC. The Community, after all, has other commitments—to the Maghreb and Mashreq countries, to India and Bangladesh, as well as to its own depressed regions. And the ACP governments were not always perfect partners in development.

Nevertheless, the EEC was doing rather well out of trade with the ACP countries, so that when negotiations for a successor convention opened 10 months ago, the ACP were looking for some big changes to swing things more their way. They wanted Stabex expanded to cover more products, and a similar system for minerals such as copper, bauxite and manganese. They wanted trade curbs on manufactures relaxed, a special fund set up for industrial development, and more say in running the convention.

Their demands have not got far. The EEC has gone a small part of the way in some areas—a few more products in Stabex, a scheme to help maintain production among mineral projects or the point of collapse—but says most of the ACP ideas are just too expensive. The EEC is ready to adjust overall funding to inflation, but will not boost the real value—a point on which the British take a particularly hard line.

The issue of money has perhaps been over-emphasised because it was the issue on which talks broke down last month. Most of the other issues appear close to resolution. But the ACP says they will not resume talks unless the EEC comes up with a better offer, and the Nine show little readiness to make more than cosmetic adjustments.

Nevertheless there are hopes of a breakthrough in the next few days, perhaps leading to a final round of talks and a new convention next month.

## Economic plan ready for China's Parliament

By David Housego and Colina MacDougall in Peking

CHINA is expected to unveil its revised economic plan when the National People's Congress, officially the highest legislative body in the country, meets on Monday.

The delay in convening the Congress, the date of which was announced by the New China News Agency, has been due to divisions in the leadership over economic policies and the pace of political liberalisation.

At the last Congress in February, 1978, Chairman Hua Guofeng announced the ambitious modernisation programme including 120 major capital projects. This has since been drastically pruned as the leadership has become aware of the strains produced by over-rapid expansion, shortages of raw materials and of foreign exchange.

Foreign companies with contracts under negotiation in China have been awaiting the revision of the plan because the economic slowdown has resulted in a virtual freeze on the signing of new agreements for major foreign plants.

## Industrial output

Industrial output in the first quarter of 1979 grew at 5.8 per cent compared with the similar period of 1978. That contrasts with the 13-14 per cent growth rate achieved during the recovery of the economy last year and in 1977 after the political disruptions surrounding Chairman Mao's death.

The New China News Agency said in its announcement yesterday that among the laws that would be passed by the Congress would be one governing joint ventures between Chinese organisations and foreign firms. One of the stumbling blocks to companies wanting to invest in China has been the lack of a commercial code safeguarding them, for instance, from nationalisation, and also guaranteeing repatriation of profits.

Parallel to setting the guidelines for readjustment to the economy over the next three years, the Congress is also expected to reveal how much liberalisation the leadership is willing to tolerate. On these there are divisions of both policy and personality.

Vice-Premier Deng Xiaoping, who encouraged the voicing of dissent in December, was clearly taken aback by the strength of popular agitation that manifested itself both at "Democracy Wall" in Peking and in demonstrations in Shanghai.

## Maoist principles

Deng has been criticised by a faction in the leadership for a more radical application of Maoist principles. Some observers believe he has also been blamed for the hasty and ambitious measures that brought waste and dislocation to the economy last year. Nonetheless, Deng's political position still seems secure and may even be enhanced at the Congress, in bringing back Chen Yun, a senior economic administrator whose reputation rests on salvaging the economy in the 1950s with a stabilisation plan, to mastermind the readjustment of the economy, he also hopes to ensure a smoother rate of growth in the future.

Chen Yun is associated with a belief in greater emphasis on agriculture, light industry, self-reliance and decentralisation. These are the policies that have been emerging in recent months with the downgrading of heavy industry outside the energy and transport sectors.

## Iran bank nationalisation in trouble

BY ANDREW WHITLEY IN TEHRAN

LAST FRIDAY'S nationalisation of privately-owned banks by the Iranian government is running into difficulty. A number of newly appointed bank managing directors are refusing to cooperate.

Banking officials say three managing directors of the Omran, Eshbarat and Iran-Arab banks—refuse to take up their appointments. Others are not going to their offices. While the decision to restrict their monthly salaries to a maximum of 150,000 (L1,042), a tenth of what some managing directors used to earn, is a major concern, they are also worried about the nature of the nationalisation scheme, and the way it was apparently forced on to a

reluctant government by the Revolutionary Council.

Meanwhile, it has been officially confirmed that two banks are exempted from the state take-over. These are the Soviet-owned Russian Bank and the newly formed Islamic Bank, which has not yet opened its doors to the public. In both cases pressure from their owners is understood to have led the Government to back down.

Foreign bankers here are confused over the planned extent of state control. Nor has the basis of compensation been clarified, beyond reassurances by officials not involved in the nationalisation decision that it will be "adequate".

One Western banker, reflecting a widely shared feeling said yesterday that "it is compensation in any way reasonable we should hurry and get out."

A new supervisory structure is to be set up for the commercial banks. Managing directors will report to a five-member board of directors appointed by the Government to look after the day-to-day running of the system. They in turn will be responsible to a council of six Government ministers, acting as a bank general assembly. The council will include the Ministers of Commerce, Finance, Planning and Budget and the Prime Minister. Responsibility for implementing the nationalisation programme will be in Mr. Ali Ardalan, Minister.

## Attempt to cool constitution row

BY OUR TEHRAN CORRESPONDENT

IRAN'S NEW constitution could be approved by a constituent assembly within two months. But there are still sharp conflicts within the Government and clergy over how the draft should be debated and given its popular mandate.

The latest indications are that Ayatollah Khomeini may be backing down from his proposal to do away with an elected assembly and let the draft go to a national referendum after approval by a panel of experts and the Revolutionary Council. Among several proposals being aired to end mounting opposition to the Khomeini plan are compromise formulas from Dr. Ibrahim Yazdi, the foreign minister, and Ahmad

Sadr-Haj Seyyed Javadi, the interior minister.

Under Dr. Yazdi's proposals, outlined yesterday in an interview with the English-language Tehran Times, different strands of opinion, fearful of being steamrollered by the Shia Moslem hardliners, could be represented in an elected constituent assembly. They would debate the draft and then the revolutionary council and it would then be put to a referendum.

A more liberal formula comes from Haj Seyyed Javadi, though it is not clear whether he is expressing more than a personal view. He told the Persian daily, Ayandegan, yesterday there would be elections in the third week of July for representatives to a national assembly to debate the document.

He said the constitution would be drawn up by lawyers, implying that the drafts prepared so far would be scrapped, and presented stage by stage to the public for their reaction. The assembly would be more than just a consultative body.

A powerful factor behind the current heart-searching is the threat by Ayatollah Shariat-Madari, the 77-year-old Qom theologian who leads the moderate camp, to boycott any referendum on a constitution not previously approved by an elected constituent assembly.

## S. Africa drops Press gag Bill

BY QUENTIN PEEL IN JOHANNESBURG

IN A remarkable climbdown from his confrontation with a united South African Press, Mr. P. W. Botha, the Prime Minister, yesterday agreed to abandon his measure to curb newspaper reporting of corruption in government.

While threatening to take further steps against "certain irresponsible media," Mr. Botha announced the scrapping of the controversial "Press gag" clause of his advocate general bill, which would have stopped publication of corruption stories like the recent Muldergate scandal.

His decision, following outspoken criticism not only from the liberal English-language Press, but also from the pro-government Afrikaans newspapers, was a complete reversal of his previous stance that the principle of Press censorship must remain in the bill.

He had described opposition to it as "hysterical screaming." But when the climbdown was welcomed by journalists, academics and lawyers who had combined to fight the bill, they pointed out that Press reporting has already received a drastic setback this week with the gazetting of amendment to the Police Act, curbing the free reporting of allegations of brutality and maladministration in the police force.

Five major items of legislation aimed at curbing press reporting have been brought to parliament this session. Apart from the police amendment act, an amendment to the Inquest Act also became law yesterday preventing any reporting on suspicious deaths before an inquest. Both laws are seen as intended to prevent a repetition of the publicity given to the deaths of prisoners in detention such as that of Mr. Steve Biko, the black consciousness leader in 1977. In addition, the Petroleum Products Amendment Bill will forbid all reporting of oil supply, storage and distribution either in South Africa or overseas, while the National Supplies Procurement Act will enable the government to declare whole sectors of the economy officially secret.

Mr. Botha's sudden change of heart on the Advocate General's Bill is undoubtedly a response to the unprecedented resistance to the unprecedented resistance to his own party. But his recent move of giving up reporting especially over the battering taken by the Government because of the information scandal remains.

In his statement to parliament, he warned that "government and public concern regarding the role of certain irresponsible media is increasing and the government is committed to taking steps should these actions cease."

## Nyerere counts the cost of war

BY OUR DAR ES SALAAM CORRESPONDENT

PRESIDENT Julius Nyerere of Tanzania has for the first time put a figure on the cost to his country of the war to overthrow Idi Amin in Uganda. He estimates that the next 12 months would be a tough struggle for the already shaky economy of this 17-year-old Socialist state.

Dr. Nyerere told a meeting at Tabora in the Central Region that it had been roughly estimated that the fighting would cost \$250m in the year from October 1978. Tanzania was now heavily in debt and had a serious foreign exchange shortage.

As the President was touring the country appealing for greater efforts and higher production to boost the crippled economy, Mr. Edwin Mtei, his Finance Minister, said that the budget for the 1979-80 financial year, now being devised, would be one of the toughest ever. It would be a budget of rehabilitation for the war-ravaged economy.

Natural calamities have added to Tanzania's woes this year. Flooding swept the country in recent months, especially the low-lying coastal strip, as the seasonal rains lasted longer and were heavier than usual.

In the coastal region alone it was reported recently that crops worth \$200,000 had been destroyed. Several hundred homes were washed away on the mainland and in Zanzibar.

Roads and bridges were cut and the Chinese-built Tazara railroad, which links Zambia to the Indian Ocean at Dar es Salaam, was out of action for a month between April and May.

Dr. Nyerere would like donors of Tanzania's \$250m in annual aid to help him to trim specific projects to grants for essential imports so as to ease the cash crisis.

Sweden, the main aid donor, has responded by agreeing that

## India to receive \$3.4bn in foreign aid

By K. K. Sharma in New

INDIA is to receive foreign aid of \$3.4bn from the World Bank, Western countries, Japan this year, making a total of around 40 per cent of the total aid given to India in 1978.

Officials in New Delhi said the aid pledge, made at the AID-to-India consortium meeting in Paris, as an expression of faith in the country's potential for quick economic development and in the government's policy of economic reforms.

They had feared that donors would cut assistance to India because of India's large and growing foreign exchange reserves, which now exceed \$7bn. In fact pledges made by members of the consortium were more than the \$2.4bn committed last year.

The pledges were made after a highly-favourable World Bank report on the Indian economy, which said that the reserves were adequate since they could be wiped out by a series of bad monsoons. This would necessitate foodgrain imports again, although this is highly unlikely since foodgrain stocks now exceed 20m tonnes.

The more effective argument was that the terms of trade had deteriorated so much that, because of a trade deficit of more than \$1bn last year and the prospects of rising oil import prices, there is now a net transfer of resources from India despite the high aid levels.

Indian officials regret that the donor countries' pledges link almost all aid to projects. This often leads to slow disbursements and utilisation since the process of identifying projects and then negotiating the aid from their takes considerable time.

This is the main reason why aid in the pipeline is \$4.5bn compared to \$3.7bn a year ago. The larger total of aid pledged is due to higher amounts promised by the World Bank, the U.S. and European countries. Britain and Canada, which have new Governments, have still to make pledges, but the figure of \$3.4bn assumes that the two countries will, at least, maintain the level of last year's commitments.

## Oil deal defended

JAKARTA—Indonesia's Parliament has questioned the \$180m contract with Japan signed recently by Mr. Plet Haryono, director of the state oil concern Pertamina.

Mr. Santoso Donoseputro, of the Democratic Party, questioned whether Indonesia had mortgaged 40 per cent of its oil production to Japan by signing the agreement.

Mr. Haryono said Indonesia had not mortgaged its oil and would decide the price of supplies to Japan.

A correspondent in Jeddah examines the effect which the Egyptian-Israeli peace treaty has had on Saudi Arabia

## Uncomfortable decisions for the royal house of Saud

THE EGYPT-ISRAEL peace treaty has caused the greatest crises for Saudi policy since the death of King Faisal in 1975. Saudi Arabia's inability to influence President Sadat up to the signing of the treaty in March and to remain adequately informed of U.S. intentions has led to a re-examination of its relations with both countries.

Saudi Arabia, which has provided Egypt with \$7bn in non-military aid since the 1972 year and whose assistance was crucial during the 1977 balance of payments crisis, subscribes to a policy that carries the risk of President Sadat's downfall and his possible replacement by a radical regime.

In relations with the United States, the high hopes raised by last year's congressional approval of the sale of F-15 aircraft to Saudi Arabia have evaporated. Both Saudi officials and businessmen are in doubt whether the Carter Administration's Middle East policy can succeed while what Riyadh regards as shipping from Washington has caused great offence.

After Camp David, Crown

Prince Fahd, the key figure in Saudi policy-making, found it increasingly hard to justify the U.S.-oriented policy he had championed for years. Though the degree of his estrangement from his colleagues has been exaggerated, the strategy he favoured is not for the moment being followed. That fact affects Saudi willingness to raise oil output to halt the oil price spiral.

Believing that ultimately only the U.S. can guarantee Saudi security, Saudi Arabia expressed its consistent opposition to President Sadat's peace initiative within the context of co-operation with the U.S. But between the Camp David summit in September and the signing of the peace treaty in March this year the revolution in Iran suggested that Saudi Arabia had far more to fear from radical forces in the Middle East than from the Soviet Union. Moreover, the U.S. was demonstrably unable to protect the Shah from these forces.

Increasingly disillusioned, the Crown Prince cancelled a visit to Washington in March and took

a long-planned rest, which, nevertheless, coincided with the second Baghdad meeting of the Arab states opposed to Sadat. Halfway through that meeting, a Saudi official was saying in Riyadh that the kingdom had secured the least damaging boycott of Egypt, contingent on progress in Egyptian-Israeli relations. But two days later, Prince Saud al-Faisal, the Foreign Minister, could find no support for his initial resistance to the hostile measures advocated by the Palestine Liberation Organisation and Libya and supported by Syria and Iraq.

At first Saudi Arabia indicated that the question of how far Egypt could be pressed economically was being examined on a daily basis and was related to the question of what the U.S. could do to broaden the scope of negotiations and involve the Palestinians. Saudi officials denied that the post-Baghdad policy must inevitably lead to Sadat's downfall.

But attitudes hardened after Mr. Sadat's strident attacks on the Saudi royal family on May Day. Doubts grew about how

amenable the Egyptian leader was to American pressure. Matters came to a head when Prince Sultan, Defence Minister, led Qatar and the United Arab Emirates in seeking to dissolve the Arab Organisation for Industrialisation, the nascent, Egypt-based Arab arms industry. He also threw doubt on whether Saudi Arabia would pay for the U.S. F-5 aircraft Egypt was to acquire, although Saudi officials, including Prince Sultan, had said that the money would go through.

But diplomats and Saudi businessmen believe this will be the limit to Saudi action against the Egyptian economy for the present. All new private sector investment has stopped, according to a leading Jeddah businessman but not as a result of any direction from the Government. Apart from real estate holdings—there are thousands of Saudi boltholes in Cairo—investment by Saudis in services industries and tourism amounts to only about \$100m.

Saudi Arabia has also considered and apparently rejected—three other sanctions against

Egypt: Withdrawal of \$900m deposited with the Bank of Egypt to meet debt-servicing requirements in 1977; moves to limit remittances by the 350,000 Egyptian workers in Saudi Arabia; and the halting of direct flights to Egypt.

Remittances from Egyptians resident in Saudi Arabia and from their counterparts in the Gulf States are expected to amount to \$1.7bn this year and are a major factor in the improved health of the Egyptian economy and, thus, of Sadat's greater political independence.

Each of these proposed steps would have serious disadvantages for Riyadh without much compensating benefit. The withdrawal of the deposits would impair the non-political reputation of Saudi investment overseas and might carry the risk of sequestration of private holdings.

There is a precedent for cutting off remittances. Last year, when South Yemen was implicated in the killing of President Ghassani of North Yemen, South Yemeni remittances from Saudi Arabia were blocked. But the

move was a failure since remittances are largely channelled through money-changers who are impossible to monitor. Reports that Saudi Arabia might introduce exchange control were denied by the country's monetary agency last week.

Saudi Arabia has ordered the extension of the contracts of about 80,000 teachers from Egypt who are the backbone of the Saudi state school system.

Businessmen say, however, that new visas are not being issued to Egyptians, though this may be due to confusion at the reduced Saudi mission in Cairo. The decision is to be trimmed still further and the education office closed. There are plans to bring home the 4,000 Saudis studying in Egypt after the summer examinations.

The domestic implications for oil policy are more subtle. When King Fahd died, the transition of power seemed smooth, but the parcelling out of his responsibilities remained only broadly defined between King Khalid, Prince Fahd, Prince Abdullah, Prince Sultan and their client groups. With the pro-U.S. policy

in the ascendant, it was inevitable that Prince Fahd's supervisory role would proliferate into the other areas of responsibility— that of Prince Abdullah in Lebanon and Syria, and of Prince Sultan in Southern Arabia and in military procurement.

But the strain in U.S.-Saudi relations has halted this process temporarily and this will reduce the crown prince's paramount influence over oil policy. Since the crown prince's return from abroad in May, his presence has been felt, however. Moves to moderate Press attacks on President Sadat are attributed to him. But the prospect of his seeking to raise oil production to meet a shortfall in the West is extremely unlikely.

In 1977, Prince Fahd, at considerable risk to his position, succeeded in persuading the Government to raise oil production to undermine a 10 per cent increase in prices by the other members of the Organisation of Petroleum Exporting Countries. Mainly for technical reasons it was a failure.

The oil market is consider-

ably tighter now and to curb the present spiralling surcharges, Saudi Arabia would probably need to raise production by about 1m barrels a day, which is believed to be perilously close to its summer sustainable capacity. Because of the peace treaty, the political embarrassment of association with the U.S. in this would probably outweigh its benefits.

Earlier this month, it became apparent that Saudi Arabia might be willing to go half way to increasing production by about 500,000 barrels a day and raising the price of Saudi light crude so as to unify the oil price around a basic \$17-\$18 a barrel, or about \$3.50 above the present level. Even this modest programme appears to have been overtaken by a new round of increases sparked off by Iraq and absorbed on market.

Whatever the role of Crown Prince, diplomats believe that the relationship with the U.S. will suffer damage. Saudi concern, security is constant, that there is no altern-


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- 4. Service.** We endeavour to maximise your company's return on its financial commitment by carefully constructing leasing packages that take full advantage of your financial situation. We believe we are better at achieving this aim than any other leasing company. And that can not just be our belief, because, last year, we wrote more Industrial Leasing than anyone else.

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## COMPANY NOTICE

## AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA

## NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS

PAYMENT OF COUPON No. 53

With reference to the notice of declaration of dividends advertised in the Press on 28 June 1979, the following information is published for the convenience of holders of stock warrants to bearer.

The dividend of 3 cents per unit of currency is payable on 15 August 1979 to the holders of the warrants to bearer.

The dividend of 0.45 cents per share is payable on 15 August 1979 to the holders of the warrants to bearer.

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## AMERICAN NEWS

## Move to increase windfall profits tax

BY DAVID BUCHAN IN WASHINGTON

THE HOUSE Ways and Means Committee has toughened President Carter's windfall oil profits tax by raising the tax rate on profit from existing crude supplies by 20 per cent to 40 per cent, and easing the tax take on future oil discoveries only slightly.

But the tax rate increase, which would cost oil companies an extra \$600 on top of the \$500.6bn they will probably have to pay in the period 1980-84 under the Carter plan, will not greatly trouble the President.

Indeed, under criticism by Senator Edward Kennedy and others that his tax plan was "a figleaf" to mask a surrender to the oil industry on decontrolling oil prices, Mr. Carter has publicly invited the Congress to stiffen the tax.

The tax is designed to cream off for the Federal Government

some of the large extra revenues the oil companies will reap from Mr. Carter's executive decision to start phasing out controls on domestic oil from June 1. Its proceeds are to go into Government programmes for public transport and alternative energy sources to oil and gas.

The aim of decontrol is to what the oil companies' appetite to extract more from existing reserves and to look for new supplies. Energy Department officials believe that the House committee's action this week to ease the tax burden on "new" oil — essentially by taxing at 50 per cent a smaller profit spread — could increase production by perhaps 180,000 barrels a day by 1985. This is on top of the 1m b/d or so that the Carter plan would hopefully bring in extra production.

Shares of some oil companies fell on news of the committee's action this week, including those of the British Petroleum subsidiary, Shell, which would be affected by the lack of a special tax break for its Alaskan oil.

But the shape of the windfall tax is far from final. The Ways and Means Committee is aware that the plan still has to go through the Senate Finance Committee, whose chairman, Senator Russell Long, is a staunch pro-oil man.

Thus Congress may in the end settle for something very near Mr. Carter's original plan, even though public and legislative support to tax the profitable oil industry has markedly increased in recent months.

The House Committee deferred action until later in the year on a plan to tax any profits from price decontrol that

oil companies might use to acquire non-energy companies. Complaints about oil company diversification out of energy and into department stores, timber and unrelated areas has been a major part of President Carter's recent rhetoric against the oil majors.

Meanwhile, domestic car sales dropped a sharp 28.6 per cent in the first 10 days of June, compared to record levels in the same period a year ago. Industry analysts said petrol shortages and fears that these will continue accounted for the decline, which was heaviest among big gas-guzzling models.

The biggest drop in a single category was a 50 per cent decline in sales by General Motors' Cadillac division. By contrast, smaller cars sales held up reasonably well, as have imports in recent weeks.

## U.S. OPEN GOLF

## Big hitters make strong start on changed course

BY BEN WRIGHT IN TOLEDO, OHIO

THE 79th U.S. Open golf championship got under way here at the historic Inverness golf course designed by Donald Ross at 7.15 am this sunny morning, and the event was soon surrounded by controversy. A two-strokes penalty was slapped on one of 14 amateurs in the field, Thomas R. Inskett of Fort Wayne, Indiana, after an hour and a half of play, at which stage the player in question, a member of the second trio to start, was still only on the 7th hole.

There has also been general criticism by the players of the alterations that have been made to this great old course before it was considered fit to host the championship for the fourth time. It was in 1920 that the first U.S. Open here was won by the British golfer, Ted Ray.

In the interests of making the course longer, tougher and more easy for spectators to get around, the 3rd, 5th, 6th and 8th holes were redesigned by George Fazio and his nephew Tommy. In themselves, the changed holes are perfectly adequate, but as the great Jack Nicklaus pointed out: "The trouble is that they are totally out of character with Ross' feeling for the game. They just bear no resemblance to his design of the other 13 holes."

Tom Weiskopf was rather more specific. He said: "Why the hell do they have to change the great old golf courses? You wouldn't change the Mona Lisa, would you? Regardless of what changes are made there is always going to be a winner, and who cares if he scores what the official thing is an absurdly low total? It merely proves that he is the best golfer in the world for the week in question."

I have to agree with the comments of both these great men. But the fact remains that this is still one of the finest golf courses on the Continent, a par 71 layout stretched to 6,922 yards for the occasion, with only two par fives, the 5th and 13th and three par threes, the 3rd, 6th and 12th holes. Quite the most outstanding feature of the course is the tiny greens, which undulate fiercely, and are already possessed of a nerve-racking speed. They are certain to become much faster before the weekend is out.

Arnold Palmer, whose name is no longer mentioned as a possible winner, was on the golf course early this morning. But his name did not remain on the leader board for more than a few minutes, since he booked his drive at the easy par four opening hole of 398 yards and took a six. Not much better was Nicklaus, who a few minutes later dropped a stroke to par there himself, and the defending champion, Andy Bean, North, whose chances I do not rate very highly, has borne out that conviction by dropping shots at the 1st and 3rd holes.

The early leaders — with play likely to have gone on until shortly before nine o'clock last night — were the big hitters Lon Hinkle, who is two under par after eight holes, and the immensely promising Keith Ferguson, who was an outstanding amateur at the University of Houston, who was two under par for the outward half, which he has covered in 33 shots.

The play terribly slow, but this hardly surprising with so many unknown players in the field who somehow get through the sectional and area qualifying competitions.

My own choice for the championship has to be Tom Watson, because he occupies now the position of eminence in the game that has been in the possession of Nicklaus without fear of argument since 1962. Ed Sneed, of Ohio, who so tragically threw away the U.S. Masters tournament at Augusta in April,

is a popular local favourite to win the title, and goodness knows there could not be a more popular winner. But in my opinion the wounds inflicted mentally and psychologically on my good friend Ed on that tragic April evening will take a long time to heal, and I feel the pressure on him if he got into contention on Sunday evening would be too hard to handle.

Of the other fancied contenders I like most the chances of Jerry Pate and Andy Bean, who I saw play golf of superlative quality in Atlanta last week-end to win the tournament by eight shots, including a round of 61 that was as close to perfection as anything I have ever seen on a far from easy golf course.

At time of writing the leader board indicated that Ferguson had the lead outright at two under par after 10 holes from Hinkle, who had reached the turn at one under. These were the only two players under par while at even par came three fancied competitors, Pate, who had played eight holes, and Larry Wadkins and Al Geiberger, who had played six apiece. Nicklaus still one over par, having played four holes, as the U.S. amateur champion, John Cook, and another short-pitched runner, Hubert Green. Sad to say the defending champion North had gone south. He was three over par after four holes.

Jack Nicklaus (above) and Arnold Palmer... dropping strokes

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# HOW TO SAVE 1/4p.

Choosing the right truck is an important financial decision, but do you know just how important?

A mere 1/4p a mile difference in overall running costs between two makes of truck each doing 100,000 miles works out at a saving of £250.

With 20 trucks that's £5,000 saved.

Over 400,000 miles, that's a saving of £20,000.

Nearly enough to buy yourself a new truck.

And the difference between the very best and the very worst truck can work out at considerably more than 1/4p.

Clearly it's vital that your company runs the most cost effective trucks.

To help you make your choice, here are some of the conclusions drawn from an independent test conducted by "TRUCK" magazine on Europe's best trucks.

It's worth noting that an M.A.N. truck came out on top and as such was voted by an International Jury, "TRUCK of the Year 1978".

## "Spectacular economy."

"The ability to earn revenue at low cost, to perform adequately with the utmost safety, to keep on working with the minimum interruptions and to achieve all this with a commendably simple design are the award-winning features of the M.A.N. 16.280.

It is a vehicle that has been aimed squarely and clear-mindedly at the requirements of the fleet operator, without calling on the powers of "exciting design" that can look so attractive on paper but which can be such a nightmare in practice.

Praise for the winner's spectacular economy came from all the jury."

## "Minimum costs."

"In trucking there is little room for untried innovations, exciting but unproven gadgetry, far-out engineering that does not have a very sound logic behind its adoption.

The European trucker wants something that he can rely upon, to do a good job of work; and to most truckers that means shifting the maximum amount of freight at the very lowest possible cost and to keep on doing that week in, week out, month after month.

That is exactly why the 280 has won such a good reputation in so short a time. It does just that."

## "Good driver environment affects business economics."

A comfortable driver, is a safer, more efficient driver.

And a safer, more efficient driver means

a more efficient, profitable company.

Here are some of the "TRUCK" jury comments.

"Cab appointments are possibly the best combinations of comfort and practicality that can be found in Europe today.

It is all based round a very strong steel shell which meets EEC standards as is.

Seating specification includes Isring-

hausen suspension seats for both crew members (marketed as the Derby in most places).

Certainly in many hundreds of kilometres that we've covered, the 280 has met every road and ride situation with commendable comfort.

Detail cab fittings include very well made lockers for papers, containers for hot-drink flasks, high quality upholstery in breathing vinyl fabric, the whole being washable or even scrubbable in the event of it getting dirty.

There is a great deal more detail to the M.A.N. 280s than we have been able to examine here.

The cab for example, tilts in seconds to a full 60°.

The frames are all-bolted in accurately pre-drilled holes, which not only gives a very strong frame but makes chassis repairs a relatively simple task.

Brakes have generous lining areas, that produce long intervals between relines.

Under-cab insulation is thorough indeed, making the cab arguably the quietest around; it was certainly the quietest of the 17 trucks that we've put through our European test programme.

Standards of fit and finish are superb throughout and, above all, it's uncomplicated.

There is no risk of the maintenance staff having a heart attack merely at the sight of the chassis for it's significantly cleaner and tidier than most.

Consequently, the immediate success in the operating arenas of Europe is not luck - the 280 won its spurs in fair and open combat."

## Buyers Queue Up-

"TRUCK" also interviewed Otto Voisard, Managing Director of M.A.N., pictured here.

This is what he said:

"Operators quickly found out that the 280 was not only the most economic M.A.N. they had ever encountered, but also more economical than virtually any other truck in the 36 to 38 tonne field.

Operational reliability also proved to be very good.

Thus, with low running costs, high utilisation, the annual tonne-kilometres available were higher by an unusually big margin.

And, on top of all that, unit cost was low.

Buyers continue to queue up.

Like it or not, trucks still have to be taken into towns and it's up to us, the truck makers, to ensure that trucks cause the minimum disruption to normal life.

The in-line turbo engine is a good tool with which to do this.

We can tune it to optimum output and noise and emission suppression relatively easily.

Coupled with that the provision of a very flexible transmission enables the driver to use his truck in the best possible way."

## Parts M.A.N. made.

Practically every part in an M.A.N. truck we make ourselves.

From the axles, almost down to the last nut and bolt.

And we have more than 50 years' experience in manufacturing automotive diesel engines with direct fuel injection.

## M.A.N. and Volkswagen.

And now M.A.N. has joined forces with Volkswagen.

To give you an unbeatable range of trucks.

It's probably the greatest thing to happen to transport since the invention of the diesel.

Which, by the way, we invented.



## 16.240 or 16.280? Talk to your Transport Manager.

In some respects, the choice between the M.A.N. 16.240 and 16.280 Artics is a difficult one.

These are both superb machines, but each is ideal for different jobs.

So consult your Transport Manager. He'll be able to advise which is best for your company's operations.

He'll know that the unmatched M.A.N. cab is standard on all vehicles in our range, to give the best driver environment in Europe.

The choice for him will be between the naturally aspirated 16.240 with its legendary reliability and lack of downtime and the turbo-charged 16.280 which gives that extra power for those long arduous hauls.

And since the "TRUCK" test we've actually improved our 16.280.

The gear shift is on the deck, not on the steering column.

And we've gone over the cab with a fine tooth-comb to make it even more comfortable.

Other models in the range have also received accolades from "TRUCK" magazine.

For example, the 30.240... "an unusually quiet and refined big tipper.

Laden ride was first class, and even when pulling hard the engine was barely audible."

## MEMO

TO:  
FROM:

To say an M.A.N. truck is a good investment for your company is an understatement.

So do make sure you talk to your Transport Manager.

Or drop him a line on the above memo - and why not send the ad?

But do it now. Before you lose another 1/4p.



M.A.N.-VW Truck & Bus Ltd, 361-365 Chiswick High Road, London, W4 4HS. Telephone: 01-995 3131.

مكتبة الامن الاسلامي

## WORLD TRADE NEWS

## Top level UK mission set for Cuba trade visit

BY HUGH O'SHAUGHNESSY, OUR LATIN AMERICA CORRESPONDENT

MR. CECIL PARKINSON, the Trade Minister, has taken the lead in a big new push to increase trade with Cuba. It is expected that he will lead a top-level mission to Havana within the next 12 months.

The British move, which has been welcomed by Cuba, is part of a demonstration by the Thatcher Government that it is vitally interested in building trade wherever and whenever it can be done.

For its part Cuba is seeking British oil expertise.

Britain already has a healthy positive trade balance with Cuba. British imports from the island last year, including £1.8m worth of sugar and £3.6m worth of tobacco, totalled £7.9m. Exports, on the other hand, came to £27.6m including £4m in chemicals and £2.6m in road vehicles.

The principal barrier to increased trade is Cuba's present foreign exchange difficulties brought on by the low price of sugar, the biggest export item.

Cuba has complained to Britain and other EEC countries about the European Community's practice of subsidised beet sugar exports, which have seriously bitten into Cuba's own export markets.

This subsidised competition is a very ugly form of competition, one senior Cuban official said yesterday. Cuba has repeated to Britain the protests about such subsidised competition expressed by the Group of 77 developing countries in the UN Conference on Trade and Development, which finished in Manila earlier this month.

Despite difficulties in bilateral trade Cuba is continuing to express great interest in importing British technology and is currently talking to various British companies in the oil industry about possible joint exploration ventures in and around Cuba.

Cuba produces a small amount of heavy crude oil, but this does not satisfy more than

a tiny percentage of its consumption which, in the main, is supplied at concessionary rates by the USSR. Cuba's own exploration efforts, some of which have been carried out in conjunction with the Romanians, have yielded little, but the Cuban leadership is far from giving up hope of making a major find. Cuba is willing to consider a number of profit-sharing options with British or other Western suppliers of technology.

Despite disappointments with the Franco-Cuban Club Med-terranee project near Havana, Cuba is seeking to interest British companies in joint ventures to develop tourism. British interest so far has been slow to materialise. Cuba is inaugurating four new hotels this year and is building four more. Before the 1959 revolution Cuba was the principal tourist centre of the Caribbean and attracted large numbers of U.S. visitors.

## British companies in bid for Philippines copper deal

By Daniel Nelson in Manila

TWO BRITISH companies—Davy International and Seltrac Engineering—have combined forces with Otto Kumpu of Finland in a bid to win a turnkey contract for the construction of a copper smelter in the Philippines expected to cost about \$350m. The UK companies originally intended to bid separately.

In a separate move, Lurgi is understood to be dropping out of the running, leaving Sibetra, SNC of Canada, Parsons Engineering, and Marubeni.

The companies were invited to submit three designs covering annual capacity ranging from 34,000 metric tons to 138,000 metric tons.

Bids will open on August 15 and be evaluated by Philippine Associated Smelting and Refining Corporation (PASAR), which will oversee the project. PASAR is 49 per cent government-owned, with five major Philippine copper producers holding the remaining 51 per cent. All PASAR's preliminary engineering studies were on the basis of the Autokupa process.

Power for the project, to be sited in Leyte, east-central Philippines, will be provided by a planned geothermal plant. In addition, one of two large-mounted diesel plants being procured with a Japanese loan would be sited by the smelter on a stand-by basis.

The Philippines produced 68,425 metric tons of copper in the first quarter of this year, and the Bureau of Mines Projects 10 per cent average annual growth of production until 1983.

More talks on Chinese oil

TOKYO — China and Japan have agreed to resume talks on the proposed joint development of offshore oil reserves in Pohni Bay, north China, Japanese Trade Ministry officials said yesterday.

An agreement to resume negotiations soon in Peking was reached between visiting Chinese deputy Premier Kang Shi'en and Mr. Masumi Esaki, Japan's Minister for International Trade and Industry, the officials added.

Japan has proposed supplying about \$2bn worth of machinery, materials and services for the project, receiving crude oil in return, Agencies

## Japan dominates thriving market for small tractors

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN HAS made a corner for itself in the fast growing world market for small tractors largely because its machinery exporters spotted a trend that the U.S. tractor industry missed towards the end of the 1960s.

The trend was the emergence of a thriving second-hand market in under 40 hp tractors for use by "Sunday farmers" or by schools, hotels and other institutions for grass cutting.

The U.S. tractor industry had stopped making such machines (because big tractors were more profitable and were what the increasing highly mechanised farming industry was demanding). Japan filled the gap and now has the lion's share of a market which is estimated at over 100,000 units per year.

Kubota, which was the first company to get into the small tractor business, makes 60,000 small tractors a year at its highly automated Tsukuba plant plus another 40,000 (large and small) elsewhere. It exports about one-third of its output.

Four other Japanese companies—Yanmar, Shikoku-Jima-Shibaura Kikai, Toyosha and Iseki—export about as many again, though so far exclusively under

the labels of big U.S. tractor manufacturers through what have come to be known as OEM (original equipment manufacturer) agreements.

According to Mr. Seiichi Egusa, the export manager of Kubota and one of the brains behind the company's recent diversification moves it may be too late for Europe or the U.S. to start competing with Japan in small tractors, because Japanese makers have achieved economies of scale which cannot be matched elsewhere.

Kubota's Tsukuba plant is the largest of its kind in the world and has startlingly high productivity levels (a labour force of 450 people turns out 5,000 machines per month). A Western competitor would need to produce at least 50,000 tractors a year to enjoy similar economies, Mr. Egusa thinks, and the market for the time being would seem unlikely to justify investment in a plant of this size.

Mr. Egusa says Japan's success with smaller tractors has been based on "co-prosperity" with the West (not on head-on competition as in the motor industry) since the U.S. still

enjoys undisputed supremacy in the market for tractors of 100 horse power and over while the UK leads in the middle range of 40 to 100 horse power.

Japanese tractor companies do make tractors for sale on Japan's own domestic market, and now claim to have won about 30 per cent of it away from imported brands. If they are to win a larger share of the home market, the Japanese manufacturers should logically be starting to think about exports since only by exporting are they likely to acquire the competitive edge they will need to succeed at home. Mr. Egusa admits this, but is reticent on the question of when exports of large machines will begin.

Kubota sells abroad through the overseas branches of Marubeni Corporation (a major general trading company to which it is related through joint membership of the Fuyo commercial and industrial group or (in major markets) through sales companies which are jointly capitalised between itself and Marubeni.

Its UK sales company opened its doors in May, four years after the company first began exports to Britain.

## Toho sets up plant in Ireland

By Frank Gray

TOHO IRELAND, a subsidiary of Uniflex, the Japanese electronics concern, is to set up a \$6m manufacturing plant in Dublin in partnership with Ireland's State-run Irish Development Authority.

Mr. Seamus Cashman, Toho's managing director and a former North American director of the IDA, said the IDA will hold 25 per cent interest in the new company, with the majority interest being held by Uniflex, the trading arm of Toho Denki of Tokyo.

The new plant, the first such European venture by the company, is to commence production of tape decks, turners and amplifiers in September and is anticipated to achieve an annual sales of between £30m and £35m in its first five years.

It plans eventually to produce four-band stereophonic radios and cassette tape recorders for car and home use.

From its North Dublin base, where it will eventually employ about 650 workers, it will serve the European market. The company will also provide support services to the U.S. market, now supplied directly from Japan.

## Multinational code re-endorsed

BY ROBERT MAUTHNER IN PARIS

MINISTERS FROM the 24 OECD member countries yesterday called upon multinational companies to refrain from trying to influence the settlement of labour disputes by the threat of transferring their operations to another country.

This recommendation was the only major amendment made to the OECD guidelines for multinational enterprises and the declaration on national treatment for companies under foreign control and international investment incentives and disincentives first adopted in June 1976.

After reviewing the experience of the last three years, the Ministers re-endorsed the guidelines and approved the conclusions of a report on the

subject drawn up by a special OECD committee. The new recommendation states that, in the context of bona fide negotiations with employees on conditions of employment, multinational companies should not threaten to transfer the whole or part of an operating unit from the country concerned.

Nor should they transfer employees from companies' branches in other countries, in order to influence negotiations or to hinder workers' rights to organise themselves.

The report drawn up by the OECD Committee on International Investment and Multinational Enterprises stressed that the 1976 guidelines offered an efficient and realistic frame-

work for the solution of problems which had arisen from the operations of multinational companies.

Member countries had indicated that there was a general willingness on the part of multinationals to observe the guidelines, though they were not legally enforceable. Even so, more time and continued efforts were needed for the guidelines to become more widely known and part of day-to-day management practice.

Multinational companies are recommended to state publicly, preferably in their annual reports, their acceptance of the guidelines. Their annual reports should also contain brief statements on their experience with the guidelines.

## Meat sales lead NZ exports surge

BY DAI HAYWARD IN WELLINGTON

IMPROVED WORLD prices for meat and wool boosted New Zealand's trade balance by NZ\$ 364m (£183m) in the year ended April, 1979.

Exports totalled NZ\$ 3.9bn. Meat export earnings were up from NZ\$ 902m to NZ\$ 1.12bn. Wool receipts rose by NZ\$ 110m, but export earnings from butter were down slightly, and cheese and milk powder only just held their own.

Imports totalled NZ\$ 3.53bn, an increase of NZ\$ 181m, which resulted in a trade surplus of NZ\$ 686m (£346m).

The growing importance of manufacturing industries is shown by the NZ\$ 636m earned from manufactured exports, which was an increase of NZ\$ 116m in 1978. The value of New Zealand's manufactured exports has doubled since 1976.

However New Zealand's invisible transactions are still placing a massive drain on the economy. In the year under review the country had an invisible deficit of NZ\$ 1,039m, which more than wiped out the visible trade surplus. While invisible receipts rose by 12 per cent, invisible payments were up by 29 per cent—partly due to higher debt servicing costs and increased travel costs.

## More talks on Chinese oil

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## CHINESE TEXTILE INDUSTRY

### Hong Kong cautious on joint ventures

BY RHYS DAVID

WHILE THE textile industries of the EEC and the U.S. wait nervously to see what sorts of deals their Governments will bring back from quota talks with China, a somewhat more relaxed view of the likely problems and opportunities is evidently being taken in Hong Kong—the textile trader which, in theory, stands to gain or lose most from any major Chinese expansion.

Already the world's biggest clothing exporter, with 90 per cent of output going overseas, Hong Kong clearly has to look over its shoulder at the emergence of a possible major new supplier such as China. At the same time it has the expertise which China will need if it is going to break into world markets, while China has an abundance of land, labour, and water all of which are in short supply in the Colony itself.

With these attractions available, and China now welcoming foreign participation in its development projects, it is hardly surprising that a number of joint-ventures in the textile and clothing fields have already been established. Although number are hard to come by, it is known that at least one knitting joint-venture has been established by Macao, and perhaps 30 Hong Kong-backed gar-

ments operations have been started across the border in southern China.

But, although the process has started, there is fairly general agreement among textile industrialists, bankers and other observers in Hong Kong, that it could be some time before any but a tiny proportion of the Colony's textile and clothing companies have forged links with their Chinese counterparts.

Nor is it expected that China will for a long time pose a strong threat to Hong Kong's own textile and clothing sector.

Now increasingly concentrated on high quality, sophisticated garments for Western markets, Hong Kong groups are unlikely to rush across the border, anxious to obtain tight quota of the EEC and the U.S. and this will limit the potential for expanding China's textile industry. China will not, as a result, be in a position to supplement Hong Kong's own quota levels.

Hong Kong manufacturers

also point out that the terms on which participation is being invited are not exactly weighted in capitalism's favour.

China's idea is that the value of capital invested in joint-ventures would be repaid with goods, less commission, with the equipment passing into complete Chinese ownership after a period of 5-7 years.

There is little incentive, therefore, to set up capital intensive operations, such as spinning and weaving, across the border, even though these are becoming much less economic in Hong Kong because of competition from other low-cost producers in Asia and their heavy use of Hong Kong's most precious commodity, land.

In the more labour-intensive garment field Hong Kong manufacturers are doubtful if China's infrastructure will match their demands for quick and reliable deliveries—vital in a fashion industry which has to meet seasonal demands and there is concern, too, about the quality of labour. Although the labour would be cheap, it would also have to be trained and motivated to reach the quality standards Hong Kong must maintain to hold its markets.

## 'Shop window' site bought

BY ANTHONY ROWLEY IN HONG KONG

CHINA Resources Company, a Peking-controlled concern which carries on a number of trading and commercial activities in Hong Kong, has acquired a 6,000 square metre (around 65,000 sq ft) site on the Wanchai waterfront on Hong Kong Island by private treaty sale by the Hong Kong Government.

The price paid for the site was HK\$300m (£26m), a Government spokesman said.

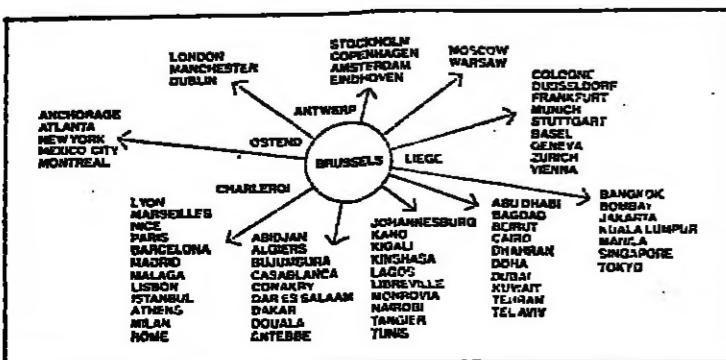
monition proved grossly inadequate at the most recent fair because of the flood of businessmen wanting to do business with China.

There is speculation that the centre will serve as a shop window for China's products to help relieve growing pressure on the bi-annual Canton Fair in China. Hotel accom-



## Sabena's proposal

An unhurried airport at the centre of a busy international network



### A privileged location

Sprawling, overcrowded airports are all too common in Europe. Brussels Airport is a welcome exception. Although centre of a vast international network, it maintains a human dimension by grouping all services within a single terminal, thereby eliminating bus transfers and long walks through endless corridors.

As the hub of Western Europe, Brussels Airport is geared to the needs of transit passengers, so crowds are

smaller, queues are shorter and baggage handling quick, reliable and efficient.

### The Sabena network

Founded in 1923, Sabena the Belgian airline was already operating regular flights to Central Africa as early as 1925. Today, Sabena carries over 2 million passengers annually to some 75 destinations in more than 50 countries around the globe. From the UK, Sabena offers you 99 passenger and 17

cargo flights per week from London and Manchester to Brussels, Antwerp, Liege, Charleroi and Ostend. Brussels is also directly accessible from Birmingham and Edinburgh without having to pass through London.

### Manchester-Brussels

This year we are proud to celebrate the 30th anniversary of our first scheduled flight to Manchester. On June 15, 1949, a DC3 "00-AUV" touched down at precisely 12.54 p.m. bringing the first 13 businessmen by air from Brussels.

Today, Manchester is linked daily with Sabena's worldwide network.

**SABENA**

Belgian world airlines

Sabena and your travel agent are partners and would be happy to provide any additional information you may require.

July 1979

# If your car can't manage over 30mpg,\* it's time you tried something different.



The big car has one big benefit. It cruises long distances quietly, quickly and comfortably.

It does however usually have one big problem. It gets very thirsty as it goes faster, and needs increasingly frequent stops for refreshment.

In these times of erratic fuel supplies at ever-increasing prices, that's some problem. We'd like to suggest a solution.

The Rover range was designed, from aerodynamics to gearbox, to give long distance cruising at economic cost. The result is a range of cars that are spacious, luxurious, versatile and

powerful, all of which, as you can see from our chart, cruise at well over 30mpg.\*

And while they are ideal for the long haul (a big 14.5 gallon fuel tank will take you a long, long way), the Rovers perform very creditably in the stop/start of urban motoring.

In these troubled times, shouldn't you try something different? Send the coupon below. You'll discover

just how competitive Rover performance and economy is, and what a pleasure it can be.

*GOVERNMENT CERTIFIED FUEL CONSUMPTION FIGURES TESTED AT A CONSTANT 56mph (90km/h)	
ROVER 2300 .....	36.8mpg
ROVER 2600 .....	38.2mpg
ROVER 3500 .....	36.3mpg
All figures quoted for 5-speed manual gearbox†	

Complete Government Fuel Consumption Figures: Rover 5-speed manual: 2300 urban motoring 17.5mpg (16.1 litres/100km); constant 56mph (90km/h) 36.8mpg (7.7 litres/100km); constant 75mph (120km/h) 31.0mpg (9.1 litres/100km); 2600 urban motoring 18.5mpg (15.2 litres/100km); constant 56mph (90km/h) 38.2mpg (7.4 litres/100km); constant 75mph (120km/h) 30.2mpg (9.1 litres/100km); 3500 urban motoring 16.2mpg (17.2 litres/100km); constant 56mph (90km/h) 36.3mpg (7.9 litres/100km); constant 75mph (120km/h) 27.2mpg (10.1 litres/100km). 5-speed gearbox optional on the 2300.

**Discover the difference**  
This coupon will bring you all details of the Rover range and a guide to Rover economy versus the competition. Please complete and send to Rover Information Services, Jaguar Rover, Triumph Ltd, PO Box 40, Fosse, Malvern, Surrey KT1 8PP.

I would like a test drive in a  
Rover 2300  
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**Rover 2300/2600/3500**

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ADDRESS \_\_\_\_\_

## UK NEWS

## Aveling Marshall closure expected

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

AVELING BARFORD is expected to close its Aveling Marshall plant at Gainsborough by the autumn, with the loss of 700 jobs. The plant was acquired four years ago under the expansion strategy of BL's special products division.

Union officials have told the workforce at Gainsborough that the company will recommend the closure to BL, owner of Aveling Barford, at the next monthly meeting of the BL board. The officials, who met Mr. David Andrews, BL vice-chairman, this week, said yesterday that they were preparing to fight the closure.

The news comes only a week after Prestcold, also owned by BL, announced that it would be closing its two factories in Scotland with the loss of about 900 jobs.

The future of other companies in the Aveling Barford

group, which BL put up for sale earlier this year, will depend on discussions being held with companies which have expressed an interest in the group. These include Acrow, which owns Coles Cranes and Priestman.

Acrow is believed to be interested only in the Grantham plant of Aveling Barford, which is responsible for about two-thirds of the group's £50m sales.

Aveling Barford is understood to have lost £9m last year, the loss at Aveling Marshall, Gainsborough, being about £7m.

The losses are blamed on competitive market conditions. BL paid £300,000 for Aveling Marshall in August 1975 in a deal that was heralded by Mr. David Abell, then chairman of BL's special products, as a move that would save jobs and set the seal on BL's bid to become a major force in construction equipment.

The plant was urgently in need of renovation and modernisation, and BL set about implementing a £5m investment programme. At one point, about 1,000 people were employed at the plant, which is still probably the biggest employer in Gainsborough.

Aveling Marshall is the only remaining UK-owned manufacturer of crawler tractors, a product which it had been intended to build up so that it could compete with the multi-nationals.

The remaining companies in the Aveling Barford group apart from Grantham are Goodwin Borsby and Barfords of Belton. BL hopes that these will now be sold separately, although the original intention, which had the tacit support of the previous Government, was that a single buyer would be found for the whole group.

## Joseph to use State industries' buying policy as stimulus

BY OUR INDUSTRIAL CORRESPONDENT

SIR KEITH JOSEPH, Industry Secretary, said yesterday that he plans to use the purchasing policies of the nationalised industries as a means of stimulating the performance of manufacturing industry and the quality of its products.

He told members of the Engineering Industries Association that he had been pleased to find that in the Post Office, for example, "there is enormous scope for product innovation" as regards the Post Office itself and its suppliers.

"Sir William Barlow, the chairman, is a man with whom I am eager to work in increasing the efficiency of the Post Office. I am looking forward to supporting him in all his efforts."

Sir Keith pleased his audience, many from small engineering concerns, when he told them that companies such as theirs were often more innovative, and enjoyed better industrial relations, than the larger companies. He also told them: "You are the bastions of freedom."

Conditions would be competitive, and the exchange rate would make life more difficult

for industry. "In fact, we shall insist on competition, but the Government will try to leave you with enough money to reward your efforts."

Earlier, Sir Keith had been told by Dr. Frank Jones, president of the association, that the higher cost of borrowing brought about by the increase in MLR would make it more difficult for the engineering industry to invest in more capital equipment.

The need for such investment was emphasised by Dr. Jones, who quoted a survey carried out by the association among its members showing that the value of fixed assets per employee had been mostly falling below the rate of inflation in every year since 1974.

Dr. Jones said: "The main task of the new Government is to produce an economic climate that makes it worthwhile spending money on the installation of modern plant and machinery."

"Our survey shows that our employees are struggling to compete with far less than half the value of plant and machinery at their disposal, compared with their main overseas competitors."

## Merchant fleet still declining

Shipping Correspondent  
By Ian Hargreaves

BRITAIN'S merchant fleet continued to decline sharply during April and has suffered a 20 per cent fall in carrying capacity in the last three years.

According to figures from the General Council of British Shipping, yesterday the fleet suffered a net loss of 40 ships totalling 2,75m deadweight tons in April, taking the reduction so far this year to 4.5m dwt.

As a result, the UK owned and registered fleet fell by the end of April to under 40m dwt, compared with a peak in 1975 of 50m dwt.

Mr. David Ropner, president of the General Council said the decline "had serious implications for the national economy and in particular for our long-term balance of payments."

Britain's sea transport account slipped into a £300m deficit last year; the first deficit since 1974.

Mr. Ropner said the industry was making renewed efforts to improve its efficiency in consultation with trade unions but there was no easy formula for stopping the decline.

The decline has also had a serious effect on employment in the industry, although the biggest burden has been carried by non-British seamen employed on UK-flag ships.

## Officers

Since the end of 1977, there has been a 5 per cent reduction in the number of British officers to an end-April figure of 36,000 and a fractional reduction in the number of British ratings to 32,000.

The number of non-British ratings has fallen in the same period by 25 per cent to 11,500.

Although these trends are a great worry to the industry, not all of the ships moving from the British flag are going out of British control. Some owners are changing to lower cost flags of convenience in an attempt to recover their competitive edge.

It is also clear, with hindsight, that many British owners, under financial pressure, sold their ships at the worst possible period, during the first half of last year.

Since then, the value of most second-hand vessels has increased sharply, some more than doubling.

Lambert Brothers, the London shipbroker, says in its latest market report that if the 54 British bulk carriers sold last year were still under British flag today, British owners' books would be showing an extra £110m of assets.

The Cunard Champion, for example, sold by Cunard a year ago for \$4.42m, has recently been resold for \$9m.

Lambert estimate that a further 750,000 dwt of British-flag ships were sold during May. Some of these are forced sales due to financial pressures, others are part of planned modernisation.

## Bargain offers restriction to be eased

Financial Times Reporter

MRS. SALLY OPPENHEIM, Minister for Consumer Affairs, has agreed to ease restrictions due on July 2, to deal with "bargain" offers.

The original proposals for banning "mythical bargain offers," outlined by Mr. Roy Hattersley, Labour's Prices Secretary, in March, included provisions outlawing retailers and advertisers from making price comparisons with other retailers and, in many instances, with recommended retail prices.

Following consultations with retailers and manufacturers, Mrs. Oppenheim has agreed to relax part of the regulations and permit price comparisons with named retailers and with recommended or suggested prices.

## Survey forecasts export recovery

BY DAVID FREUD

UK EXPORTS are likely to recover in the second half of the year, according to a survey of big exporters conducted by the Department of Trade.

But the results suggest that the exports lost in the first part of the year are unlikely to be recovered.

This means that the underlying rate of expansion is expected to be in line with the poor performance of last year, when the volume of exports grew by 3.4 per cent.

Because of the drop in the first quarter—due to industrial disruption and difficulties in Iran and Nigeria—the overall volume of exports this year is expected to be only 2 per cent above 1978.

The growth is well down on the expected level of expansion of world trade, which most forecasters believe will stay around last year's level of 5 per cent.

This means that the UK's share of world trade will decrease for the second consecutive year, in contrast to its performance in 1978 and 1977. The Department of Trade said the survey indicates that export volume is expected to fall by about 2.8 per cent in the first half of 1979, compared with the previous half-year. The total should rise by between 5 and 6 per cent in the second half.

The estimates, derived from the Department's April survey of export prospects, do not reflect the latest round of oil price increases or the "past" Budget strength of sterling. Nevertheless, they are less buoyant than those of the previous survey in January.

In particular, exporters forecast an annual rate of increase in prices in the last three quarters of the year at 13 per cent. This compares with 9.4 per cent in the first quarter and 3.6 per cent in 1978.

## More bankruptcies likely—Methven

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

WARNING that there will be more bankruptcies "next winter if unions push for high wage claims in the wake of this week's Budget was issued yesterday by Sir John Methven, director-general of the Confederation of British Industry.

Giving his considered views in the Budget in London, he acknowledged that a pay freeze might be necessary and said: "It is not going to be an easy job." The next pay round could be "extremely difficult."

People these problems, the chief welcomed the Budget. "The general enthusiasm among businessmen for the tax cuts involved has also forced Sir John to trim the CBI's policies on no fronts concerning taxation and pay policy."

First he has dropped his opposition to VAT being raised above 10 per cent. Last month Sir John told Sir Geoffrey Howe, Chancellor of the Exchequer, that a rate such as 12.5 per cent would have serious consequences for industry.

Yesterday he did not feel able to complain about the higher 15 per cent figure now being introduced because of the associated cuts in direct taxation.

He said that the Government had made its own judgment about the balance to be struck between direct and indirect taxation. "That judgment is not without risk but, despite the

risk, I believe it is the one which businessmen will support."

Sir John also refused yesterday to criticise the Government for not going ahead immediately with the creation of an economic forum to educate people about what the country can afford in wages.

Creation of such a forum has been a cornerstone of the policies for pay reform drawn up in the past year by the CBI and has also formed part of Conservative Party policy. But yesterday Sir John, who last week had informal talks with Mrs. Thatcher, the Prime Minister, said he accepted that the Government might not want to go ahead with the plan.

Some Ministers, and a considerable body of opinion within the CBI, believe that a forum would inevitably lead to a formal pay policy. Sir John said that the CBI still wanted a forum but recognised that there were other ways of starting a public discussion about economic choice, for example, through Ministerial speeches.

Mr. Alan Devereux, chairman of the CBI in Scotland, said yesterday that the Government should not abandon its regional aid. On the eve of a visit to Scotland today by Sir Keith Joseph, Industry Secretary, Mr. Devereux said that the 1973 Industry Act had served Scotland well and that changes should be "approached with caution."

## Air Ecosse wins route from BA

By Lynton McLain

BRITISH AIRWAYS has lost one of its prime routes in Scotland to the independent Air Ecosse, a charter line formed two years ago.

The Civil Aviation Authority has told British Airways its rights to operate the service between Aberdeen, Wick and the Shetlands is to be withdrawn.

The state-owned airline plans to appeal, but its chances of success must be slim, in view of the support for Air Ecosse.

The UK Atomic Energy Authority, the Highlands and Islands Development Board, the Highland Regional Council, Caithness District Council and the Caithness Air Services Action Group all protested against the standard of the British Airways service and backed the Air Ecosse application.

Passengers complained that the British Airways service did not allow businessmen time for a full day's work in north-east Scotland. Scientists at the Atomic Energy Authority's reactor at Dounreay found they often could not reach the site from Wick Airport in time for meetings.

British Airways will still be able to operate the direct service between Aberdeen and the Shetlands.

Air Ecosse is part of the Fairflight group of general aviation companies, and operates six Brazilian-made Bandeirante 18-seat twin-engine turboprop aircraft.

The new service, which it may start later this summer, will offer three return flights a day between Aberdeen and Wick and one flight a day to the Shetlands.

## NEB's £475,000 stake in microfiche

THE NATIONAL ENTERPRISE Board has bought a £475,000 stake in Microform Communications International, a small company which started two years ago to develop a portable microfiche reader.

The investment was agreed before the General Election. It consists of £310,000 for 25 per cent of the company's equity and £165,000 in cumulative redeemable preference shares.

A further 44 per cent of the equity is held by Norton Warburg Investments.

## Tyne Metro £50m dearer

TYNESIDE'S Metro passenger rapid transit system is now expected to cost £50m more than the £161m limit set two years ago by Mr. William Rodgers, the former Transport Minister.

The scheme is two years behind schedule and is not expected to be complete until 1983-84.

## LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967

MONUMENT PROMOTIONS LIMITED  
NOTICE IS HEREBY GIVEN, pursuant to section 283 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of

LEONARD CURTIS & CO.,  
3-4 Bank Street,  
London W1A 3BA,  
on Friday, the 22nd day of June 1979, at 12 o'clock noon, for the purposes mentioned in sections 284 and 285 of the said Act.

Dated this 5th day of June 1979.  
By Order of the Board,  
L. P. BROPHY, Director.

THE COMPANIES ACTS 1948 TO 1967

OUTSAFE LIMITED  
NOTICE IS HEREBY GIVEN, pursuant to section 283 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of

LEONARD CURTIS & CO.,  
3-4 Bank Street,  
London W1A 3BA,  
on Thursday, the 21st day of June 1979, at 3.00 o'clock in the afternoon, for the purposes mentioned in sections 284 and 285 of the said Act.

Dated this 5th day of June 1979.  
By Order of the Board,  
A. R. PETERS, Director.

## Public expenditure cuts 'just a start'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

NO ONE SHOULD doubt the firmness of the Government's commitment to reduce public expenditure over the next few years, according to Sir Anthony Rawlinson, senior Treasury official responsible for public spending.

Sir Anthony, a Second Permanent Secretary, yesterday told the annual conference of the Chartered Institute of Public Finance and Accountancy at Eastbourne that the decisions announced concerning 1979-80 should be seen as "the first step in a major reappraisal of spending plans."

Sir Anthony emphasised the new Government's policy of using cash limits vigorously in managing and controlling public expenditure. Outlining the development of cash limits over the last few years, he said they responded "to the need to plan, and to keep to plan, a key element in financial and counter-inflationary policy, the cash expenditures of the public sector."

He recognised that the squeeze through cash limits would lead to modifications in volume plans as a result of inflation being faster than allowed for in the original cash limits. "That may in itself be

regrettable where the plans are good plans, but it may not be as regrettable as the financial consequences of going on with the plans unmodified."

"The amount, and the problems, vary from programme to programme, but in 1978-79, when prices moved ahead on average about 5 per cent more than had been provided for in the cash limits, this degree of squeeze was successfully absorbed by adjustment during the year of the programme concerned. What is required this year is likely to be somewhat more, but the political impetus is strong."

Sir Anthony also discussed the role of the Comptroller and Auditor General, and the Exchequer and Audit Department, and the various suggestions by Commons committees for a review of present practice. A consultative document is likely to be published setting out the issues for discussion and decision in Parliament.

In particular, he said there was much to be said for determining the main issues definitively through legislation. He urged that the development of accountability should be linked with the development of efficiency.

## German output 12 times London's, says Times

BY MAX WILKINSON

THE PRODUCTIVITY of German typewriters, who produced one issue of The Times nearly 12 times greater than that of their counterparts in Britain, claims Mr. Michael Mander, deputy chief executive.

The Times, shut since November 30, attempted to produce a Continental edition in Frankfurt in May, but was thwarted by union opposition and pickets.

The venture was abandoned after only a limited number of copies of a 24-page issue had been printed. The type for the edition was set on computer-controlled equipment similar to that which The Times seeks to introduce into its Grays Inn Road plant.

In an article in Campaign today Mr. Mander says the labour cost for each page of each copy of the paper printed is

about 0.175p in London compared with 0.061p in Frankfurt. He says: "Put another way, for every £1,000 paid in salaries in Frankfurt, we would have to pay £2,888 in Grays Inn Road."

He adds that if the differential in wage costs is added to the extra productivity from computer typesetting equipment instead of traditional hot metal machines, productivity in the typesetting department is 11.9 better in Frankfurt than in London.

After a meeting between Times union representatives (fathers of chapels) and Sir Denis Hamilton, the chairman of Times Newspapers, the management has requested a further meeting. The chapels have said that they cannot arrange another joint meeting before July 4.

## Sterling M3 rises by £630m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING M3, the broadly-defined money supply, rose by £630m, or 1.2 per cent, in the month to May 16, on a seasonally adjusted basis. This brings the increase since mid-October to about 7.1 per cent, or some 13 per cent at annual rate.

M1, the narrowly-defined money supply including cash and bank current accounts, was unchanged after a very sharp rise in the

previous month. Domestic credit, the money supply after deducting external liabilities, expanded by £845m in the month to mid-May. This means that the total expansion of domestic credit in the past six months has been £4.5bn.

The main boost last month came from a further very strong rise in bank lending in sterling to the private sector, up by £870m.

GROWTH OF MONETARY AGGREGATES (£m)										
Money Stock M1			Money Stock M3			Bank lending*		Domestic credit expansion		
	Seasonally Unadjusted	%	Sterling	Seasonally Unadjusted	%	Unadjusted	Seasonally Unadjusted	Unadjusted	Seasonally Unadjusted	
June 21	-312	-2.8	0.1	209	402	0.9	637	501	574	517
July 19	763	549	2.3	935	670	1.4	1,005	428	654	122
Aug. 16	135	150	0.6	-487	-225	-0.5	-163	311	-388	-190
Sept. 20	127	249	1.0	478	477	1.0	11	16	540	659
Oct. 18	478	235	1.0	535	365	0.8	415	397	587	496
Nov. 15	40	44	0.2	254	343	0.7	269	443	150	287
Dec. 13	989	585	2.3	950	743	1.5	5	474	1,241	1,092
1979										
Jan. 17	-548	203	0.8	332	1,002	2.0	1,215	494	344	801
Feb. 21	-222	222	0.9	-34	530	1.1	1,213	1,097	385	1,089
Mar. 21	303	5	—	-346	-387	-0.8	427	760	-395	-263
Apr. 18	1,517	789	3.0	1,598	731	1.4	543	528	1,760	846
May 16	-189	3	—	389	629	1.2	622	869	515	945

\* To private sector in sterling including Bank of England issue Department holdings of commercial bills. Source: Bank of England

## BRITISH-BORNEO PETROLEUM SYNDICATE LIMITED

Extracts from the Statement of the Chairman, Mr. Campbell Nelson, at the 65th Annual General Meeting held in London on 14th June, 1979.

Net earnings for the year were £500,000 a record for the Company. In addition Buxep, our Investment Trust Subsidiary Company, had net gains, after taxation, of £31,000 on realisation of investments which have been placed to capital reserve.

Both the interim and proposed final dividends have been increased to the maximum extent permitted by Government. I told you last year that when the restraints of dividends are relaxed or removed it is the intention of your Directors to recommend a larger proportionate dividend of profits. In view of the Budget Statement we shall give effect to this intention in our next interim dividend payable in December.

The Stock Exchange value of our listed investments at 31st March last was £11,725,000 showing an unrealised appreciation of £8,154,000, an improvement of £2,727,000 over the prior year.

The make-up of our listed investments at 31st March last, at their Stock Exchange values, was 85% oil companies, 6% industrials, 6% gold mining and mining finance companies and 3% preference shares.

Our expenditure on Western Canadian oil and gas ventures totalled £400,000 at the year end. The drilling to date has been unsuccessful, but such ventures require perseverance and courage. We intend to continue cautiously and modestly to our criteria of ventures giving promise of early payouts and attractive profitability.

Our listed oil company investments gave a star performance for the year in Stock Exchange appreciation and increased income. We take a favourable view on these investments for further appreciation in value and large income both in the short and the long term.

The oil industry is strong. There is an insatiable appetite for oil and gas despite the price increase. The world has to learn to use this all important source of energy more economically. The indications are that we shall see further price increases in the years ahead over and above levels of inflation of currencies. This will lead to more sophisticated production methods for oil and gas fields giving larger percentage recoveries of oil and gas in place. It will also facilitate the development of many new fields and prospects including tar sands and shales, some of which at present prices are either marginal prospects or uneconomic. There is a long life ahead for oil and gas as a leader of the energy business and, even after the peak of potential production is reached, as a long term major contributor to the world energy needs.

Your company is in good shape to take advantage of investment opportunities as they occur and we expect to do well in the current year.

Copies of the full Statement and the 1979 Report and Accounts are available from the Secretaries of the Company, 2 Broad Street Place, London EC2M 7EP.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.,  
45 Cornhill, London EC3V 3PB. Tel: 01-623 6514.

Index Guide as at June 14, 1979  
Capital Fixed Interest Portfolio ..... 115.25  
Income Fixed Interest Portfolio ..... 105.00

## NatWest Registrars Department

National Westminster Bank Limited has been appointed Registrar of

## "W" RIBBONS HOLDINGS LIMITED

All documents for registration and correspondence should in future be sent to:

National Westminster Bank Limited  
Registrar's Department  
PO Box No 82  
37 Broad Street  
Bristol BS99 7NH

Telephone Bristol (STD Code 0272)  
Register enquiries 290711  
Other matters 297144

## OCEAN TRANSPORT AND TRADING LIMITED

Notice is hereby given of the appointment of Lloyds Bank Limited as Registrar

All documents for registration and correspondence should in future be sent to the address below:

G.T. EVANS,  
Secretary



Lloyds Bank Limited,  
Registrar's Department,  
Goring-by-Sea,  
Worthing, West Sussex BN12 6DA.  
Telephone: Worthing 502541  
(STD code 0903)

Lloyds Bank Limited

# We profit from a product that's made for all the energy alternatives.



Nearly half the world's manufactured goods are moved by battery powered fork lift trucks. Saving millions of barrels of oil. And keeping the air clean. Chloride make more fork lift truck batteries than anyone else in the world.

Hospital operating theatres, computers, air traffic control systems all depend on a power supply that must never ever fail. Chloride batteries and systems stand by to provide emergency power in this vital and growing market.



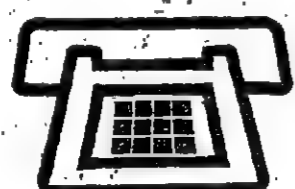
Batteries could power city-centre transport today. Chloride battery powered vehicles are proving in cities in Britain, America and Australia that pollution-free battery power is a practical reality.

Submarines need a very special kind of power. To drive the submarine itself. To run the life support systems. Even to drive the torpedoes. Submarines are just one of many different defence applications for batteries. And Chloride are major suppliers to Britain's Armed Forces.



There are nearly 20 million cars and other motor vehicles on Britain's roads. Each one has a battery. And Chloride make more than any other manufacturer.

Batteries have an important role to play in the vast and growing leisure business. Over 5 million batteries are used in this industry in the USA alone. Powering anything from golf carts to lawnmowers.



In a mains power failure your telephone keeps working. It is powered by batteries. In Britain 60% of these batteries are made by Chloride.

Tough new laws are creating a vast market for emergency lighting systems for public buildings all over the world. Chloride batteries and systems are world market leaders in this vital field.



Just some of the things Chloride batteries are doing today. And not just in Britain. As world rechargeable battery leaders, our market is a world market. We sell into no fewer than 125 different countries, with manufacturing bases in the United States, India, South Africa, Australia and 28 other countries.

There's little doubt that Chloride lead the world in research in techniques to store electrical energy. But it's important to recognise improvements that have been made to existing batteries.

Today's car battery, for example, is five times more efficient than the one back in the early days of motoring.

All this has helped our company to a best ever pre-tax profit of £25.1 million.

So much for our success to date.

Chloride's business is well and truly in the growth sector of the energy industry.

As the world searches for alternatives to oil and gas, the future for batteries becomes almost limitless.

Because the only way to develop the new energy sources to their full potential is to turn them into electricity.

More electricity means more things for batteries to do.

And many, many more batteries.

Use electric - save oil.

Extracts from Chloride Group results for year ended 31 March 1979.				
		1977-78	1978-79	
THIRD PARTY SALES.	£m	306.0	346.0	up 13%
PROFIT BEFORE TAX	£m	25.1	29.0	up 16%
PROFIT ATTRIBUTABLE	£m	13.0	17.3	
EARNINGS PER SHARE (after tax)		10.3p	13.8p	
Copies of the annual report and accounts will be available from the Secretary, Chloride Group Limited, 52 Grosvenor Gardens, London SW1 6AU after 6 July 1979.				

**CHLORIDE**  
THE ENERGY-HOLDING COMPANY

# Williams & Glyn's

## Interest Rate Changes

Williams & Glyn's Bank announces that with effect from 15th June its Base Rate for advances is increased from 12% to 14% per annum.

Interest on deposits at 7 days' notice is increased from 9½% to 11½% per annum.

WILLIAMS & GYLN'S BANK LTD

# Hill Samuel Base Rate

Hill Samuel & Co. Limited announce that with effect from the close of business on Friday, June 15, 1979, their Base Rate for lending will be increased from 12 per cent to 14 per cent per annum.

Interest payable on the Bank's Demand Deposit Accounts will be at the rate of 11½ per cent per annum.

Hill Samuel & Co. Limited  
100 Wood Street  
London EC2P 2AJ  
Telephone: 01-628 8011

## UK NEWS

### Dearer home loans hint

BY ANDREW TAYLOR

HOME LOANS could rise before the end of the summer if interest rates stay at their current level, warned Mr. Gerald Aspell, chairman of the Leicester Building Society last night.

Mr. Aspell, speaking to businessmen in Leicester, also warned that there would be no let-up in house price rises as wage increases and Budget tax cuts added to disposable income.

He said: "It is early days to be precise, but if MLR stays at its new level for any length of time, we shall need to increase interest rates before the end of the summer."

After this week's 2 per cent rise in MLR, the three-month local authority loan rate increased to 13½ per cent. This compares with the building society grossed up share rate of 11.4 per cent.

The three-month figure is an important benchmark for the societies, which regard local authorities as one of their principal competitors for funds.

There appears, however, to be a difference of opinion among some leading building society chiefs about the movement's ability to ride out the recent rise in interest rates.

The societies are lending about £700m a month, which, although about the level of a year ago, is — because of house price rises — financing 17 per cent fewer transactions.

But the societies have recently proved adept at absorbing fluctuations in MLR and have maintained their rates at the present level since November.

Net receipts into building societies — now running at about £300m a month — have also improved this year after two cuts in MLR.

In spite of this, receipts are still well below the level needed to meet demand. Societies fear that this pressure will increase as disposable incomes rise and with the prospect of having to provide finance for council house sales.

### Imperial cigarettes up 6p on Monday

BY JAMES McDONALD

IMPERIAL TOBACCO — part of the Imperial Group — yesterday announced details of post-Budget price increases. Its cigarette brands will be raised by 6p for 20, as foreshadowed by Sir Geoffrey Howe, Chancellor of the Exchequer, on Tuesday. The new recommended retail prices will apply to the company's goods despatched to the trade from next Monday, June 18.

Embassy No. 1 cigarettes, Embassy filter, Players No. 8 king size and John Player king size will be 69p for 20. Lambert and Butler king size, 61p. Players No. 10, 57p, and Woodbine 64p.

On average, about 4p of the general 6p rise is accounted for by the Budget increase in the VAT rate from 8 to 15 per cent, and about 2p to the "ad valorem" element in tobacco duty which, although unchanged in the Budget, has to correspond to 30 per cent of the new recommended retail price.

Tobacco and cigars are not subject to "ad valorem" duty but the increase in VAT will bring the following changes in Imperial's recommended retail prices: Golden Virginia — up 51p per 25 grams to 864p; St. Bruno Flake — up 5p to 78p; and Digger Flake — up 41p to 721p.

In the cigar field, Cavalli Panatella will rise by 14p a cigar to 231p.

### Ruling on car VAT

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CARS PAID for in full before Monday will attract VAT at only 8 per cent, even if customers do not take immediate delivery. This is likely to create a sales rush.

The position was made clear yesterday by the Customs and Excise. "If a customer pays in full and is issued with a receipt then a tax point is created," a spokesman stated.

However, dealers will be able to sell only those cars which have already been ordered from the factory and allocated to them. Else purchase deals will be at the new 15 per cent rate.

## Sailing ships may make comeback

BY LYNTON MCLEAN

KITES, whirling sails and the development of rigid-sail boats such as the Clifton Flasher were suggested yesterday as possible ways of aiding the return of commercial sailing ships.

Soaring fuel costs and improved understanding of sail aerodynamics prompted the ideas, which were debated at a Department of Trade and Industry conference in London.

Government funds have already been used to develop a wind turbine, though the Industry Department last year refused to fund a full-scale design for a British five-masted, 12,000-deadweight-ton cargo clipper.

A team from the University of Wales told the conference that in theory a 15,000-dwt sailing vessel could compete with a "slow-steaming, equivalent-size motor ship."

In practice, however, the sailing vessel would have to operate in competition with larger power vessels. The economies of scale "would render the sailing vessels uneconomic."

At high fuel prices, the sailing cargo ship could offer freight rates up to 18 per cent less than those of an equivalent motor ship. But this would depend on both vessels having the same crew costs. The capital costs and insurance would need to be lower for the sailing vessel.

Last summer, the Industry Department's Ship and Marine Technology — Requirements Board, which assesses the potential of research projects, funded a £5,000 feasibility study by the design company, Windrose Ships of Southampton.

Captain Mike Willoughby, representing Windrose, said its sailing crew costs were about £100,000 a year, compared with £200,000 for a motor ship. The food bill was estimated at £8,000 a year, double that of an equivalent motor vessel. But the company believed that total potential savings based on its early designs and 1977 oil costs, could be £400,000 a year.

The conference also heard that designers were evaluating "Venetian blind" horizontal strip sails for possible use on cargo ships. These would be rigid, like the sails of the world speed record breaking Clifton Flasher, built six years ago. At the moment, designers have found no way of stopping these efficient sails working when the boat is in port.

The conference learned that a more conventional sail has been used to power a jack-up oil rig.

Opening the conference, the Duke of Edinburgh said the symposium could do more than stimulate discussion.

"It is a signal to those with imagination and enterprise that ideas are wanted and that their ideas will be taken seriously."

He also sounded a warning. "The successful development of wind-driven ships, or ships driven by other sources of power, will depend on the support and encouragement made available to research projects in the future and by the judgment exercised in their control and evaluation."

### Pedal flight seen as 'new sport'

By Lynton McLean

NEW KNOWLEDGE of aerodynamics and aircraft weight reduction has come out of research which led to the first man-powered flight across the Channel. Dr. Paul MacCready, the designer of the prize-winning Gossamer Albatross said yesterday.

Dr. MacCready, saw "no real practical applications for man-powered flight." But it had potential as a sport. "In five years there will be many hundreds, if not thousands of man-powered aircraft," Kite, he said, would sell for about £1,000.

The Gossamer Albatross had cost £340 in materials. But the whole project had cost Dr. MacCready, the chemical company sponsor, about £125,000.

### Turbulence

Mr. Bryan Allen, the 26-year-old Californian pilot who pedalled ten feet above the waves, said he had nearly given up four times. High waves in mid-Channel created turbulence and at one point he dropped to within six inches of the water.

He ran out of drink on the last stretch, his right calf suffered from cramp and a shark appeared as the aircraft approached the French coast. Had the pilot seen it, he probably would have speeded up, said Dr. MacCready.

### Industrial accidents cause more deaths

BY OUR LABOUR STAFF

THE NUMBER of workers killed in industrial accidents last year was 651, with a further 940,294 injured, according to provisional figures released yesterday by the Health and Safety Executive.

The 1978 figures include, for the first time, accidents reported among 7.8m employees who were brought within the scope of safety legislation last year by the Health and Safety at Work Act 1974.

In this group 70 deaths were reported last year, with 16,800 other accidents, but the executive said yesterday it was unsure how representative these figures were, as employers of this group currently have no statutory duty to report accidents.

Excluding the new group to allow comparison with previous figures, there were 551 deaths and more than 324,200 injuries last year. Figures for 1977 were 514 deaths and 325,700 injuries, but the executive said yesterday the increase in the number of deaths was within the range of annual fluctuations.

Deaths in mining and quarrying rose from 54 to 54 and in construction from 130 to 144. Deaths in manufacturing industry fell slightly from 170 to 175.

Health and safety inspectors and other agencies made 1,813 prosecutions and 15,621 enforcement notices were issued.

### Working party urges planning inquiry change

BY PAUL TAYLOR

THE GOVERNMENT was urged yesterday to consider the need for a new form of planning inquiry for major projects such as the building of a new type of nuclear power station or the third London airport.

The existing type of inquiry has caused a great deal of dissatisfaction, said a report prepared by scientists, planners, and conventional public local inquiries have a number of drawbacks and are especially unsuitable for investigating the uncertainties surrounding new and complex technology.

### Airfix in equipment venture

AIRFIX PRODUCTS, known mainly for its assembly kits of model aircraft and vehicles, is moving into the sports equipment business with a range of popular, lightweight goods, aimed initially at the family summer holiday trade.

The range, labelled "Sports-time" comprises seven sets of equipment, including tennis and badminton rackets, cricket bats and croquet mallets, and their respective accessories. Most of the equipment is made in the Far East.

Mr. John Abbott, managing director of Airfix Products, said yesterday he hoped wholesale returns this summer would reach £1m. Outlets included select stores belonging to Woolworth, W. H. Smith and Boots.

Sports equipment was a rapidly expanding market, with UK sales expected to be £220m by 1982, double the 1977 level. World demand for toy assembly kits had fallen by 15 per cent over the past five years, although Airfix Products had increased its market share, he said.

Last year, the seven companies of the Airfix Group, including Meccano-Dinky and concerns in the U.S. and West Germany, had a turnover of £38m. Airfix Products accounted for 35 per cent of group turnover, and assembly kits formed 80 per cent of Airfix Products' sales.

### Heavier lorries 'threat to villages'

PROPOSALS to allow heavier lorries on Britain's roads should be rejected on grounds of safety, highway maintenance and finance, claims the National Association of Local Councils, representing 5,000 local government units in England and Wales.

Increases in maximum weights would enable lorries to carry the standard 30 tonnes containers at present carried by rail. This would prompt a further shift of freight haulage from railway to roads, the association said.

Villages and towns would suffer "disastrously." Heavier weights would cause further damage to roads, where there was already a backlog of repairs after the very bad winter weather.

### Bedding group reduces jobs

MORE WORKERS are to be made redundant at a West Midlands bedding company where 1,000 jobs have disappeared in the last three years.

The Vono factory at Tipton aims to shed 98 of the 196 workers left after a massive cut back a year ago. The firm says there is insufficient work to maintain the labour force.

## IMPORTANT NOTICE TO PERSONS REGISTERED FOR VAT

# Changes in VAT

From 18th June 1979 — the Higher Rate of VAT is abolished and the Standard Rate of VAT is increased from 8% to 15%

This means that from 18th June 1979 you must account for tax at the new rate of 15% on all supplies previously taxable at 8% or 12½%.

### New VAT fraction

The new VAT fraction for calculating VAT from tax-inclusive amounts is 3/23rds.

### What you must do

You should follow the general guidance given in Notice 716 on rate change procedures. However, those rules have been amended to allow you to charge VAT at the old rates on supplies which you in fact made before 18th June even where the tax point occurs on or after that date (eg. because you issue an invoice on or after 18th June for supplies in fact made before then). More information about this amendment is given in Leaflet VAT 716/1/79, which you can get from your local VAT Office.

If you are a retailer you must follow the rules about rate changes given in the Supplement to Notice 727 for the special retail scheme you are using. If you use Scheme E or Scheme J you must carry out the required stocktaking at close of the last day of trading before 18th June. If you make supplies only at the present 8% and 12½% rates, only Scheme A will be available to you from 18th June. Notice 735, which gives further information and includes a ready reckoner for calculating VAT at the new rate from tax-inclusive amounts, is also obtainable from your local VAT Office.

Issued by HM Customs and Excise.

## London pays £2.5m to keep peace

BY JAMES McDONALD

THE HEAVY cost to the London taxpayer and ratepayer of keeping the peace was highlighted yesterday by Sir David McNea, Commissioner of the Metropolitan Police, in his annual report for 1978.

Public order in the capital was maintained despite an "unprecedented number of demonstrations, industrial disputes and processions." But the price of policing such events was high for 18 major demonstrations — many of them National Front and anti-Nazi confrontations — the bill came to almost £2.5m. The heaviest police cost of all last year, however, was during the two-day Notting Hill carnival last August amounting to nearly £500,000.

Apart from maintaining public order, Sir David says that serious crime dropped marginally for the first time in eight years and the overall number of road accidents was down.

The number of indictable crimes totalled over 500,000, slightly down on 1977. While the "clear-up" rates for these crimes remained at 21 per cent, there was a slight drop in the number of people arrested. Of the 103,167 arrests made, 27 per cent were juveniles and a further 23 per cent were aged between 17 and 20 years.

The disturbing involvement of young people in crime is particularly noticeable for robbery, and other violent theft, burglary and offences known as auto-crime.

Of the categories of crime which increased last year, assaults were up by 10 per cent. But the 118 homicides, murder, manslaughter or infanticide — reported were 24 fewer than in 1977 and 106 of those cases were cleared up.

The Scotland Yard campaign against armed robbery met with particular success last year, says Sir David. The number of bank robberies, totalling 20, compared with 41 in 1977. "This is attributed partly to the establishment of a special Central Robbery Squad and partly to the willingness of some arrested criminals to give evidence for the Crown."

Firearms were involved in 734 robberies in London during the year and shots were fired on 40 occasions. Where police use of firearms was concerned there were only 48 incidents when weapons were drawn from their holders and a total of eight shots fired on two separate occasions.

Sir David says: "There will be no departure from the tradition of the unarmed London bobby. I would be failing in my duty, however, to both members of the public and to my officers, if I did not ensure that a sufficient number of police officers are properly trained in the use of firearms and available to meet the threat of vicious, armed criminals."

Penal work camps, where hoodlums should be made to sweat before they are ever released, "should be established in Britain, said Mr. James Anderson, Chief Constable of Greater Manchester, in Manchester yesterday.

The police were not satisfied just to bring alleged wrongdoers to justice, he told the Manchester Luncheon Club. The legalistic assumption that the police service must remain totally aloof and disinterested was "folly." The police had to believe that justice had been done and was being done, for that was the motif and mainspring of their actions.

"In this connection, none of us should foolishly think that all convicted offenders are simply in need of kindness and consideration, of sympathy and understanding, of compassion and care and nothing else."

"Rampaging, drunken and violent hoodlums who roam the city streets, crash through our shops and our stores, cause damage and wreak havoc wherever they go, and implant fear even in the stoutest hearts among us, are surely not deserving of much save severe condemnation and harsh punishment."

### APPOINTMENTS

## North regional director for NatWest

Mr. Leslie Young, chairman of J. Bibby & Sons, has been appointed a director of the North Regional Board of NATIONAL WESTMINSTER BANK. Mr. Young is chairman of the North-West Industrial Development Board and a non-executive director of the Mersey Docks and Harbour Company.

Mr. John P. Stanton, who has been managing director of Helbert International, a Huddersfield-based subsidiary of CUMMINS ENGINE COMPANY INC., has been made vice-president of the Cummins' component companies in London, Huddersfield and Halifax.

Mr. K. V. Satten has been appointed a director of IRI TITANIUM. He has been succeeded by Mr. W. I. James as vice-director of the IRI Titanium plant at Warrnambool, Swinburn.

Mr. A. P. McLeish, regional director of the England and Wales region of COLAS (UK), has been appointed to the main Board.

Two new directors have been appointed to the Board of 3M UNITED KINGDOM. They are: Mr. Mike Atkins, general manager of the photographic

printing, industrial graphics and static control products division, and Mr. Norman Deskin, general manager of the tape and allied products division.

Mr. George Judd, until recently one of the senior partners and now a limited partner of Strutt and Parker, has been appointed agricultural consultant to TOUCHE REYNOLD AND CO.

Mr. Brian Skenton has been appointed to the Board of HILL SAMUEL LIFE ASSURANCE. He is managing director of Noble Lowndes and Partners, a member of Hill Samuel Group. Mr. Brian Skenton, who is also a director of Noble Lowndes and Partners, has become a director of Hill Samuel Investment Management.

Mr. John R. Wright has been appointed an assistant general manager, international division, BANK OF SCOTLAND, from June 25. Mr. Wright was until recently president and chief administrative officer of the United California Bank International, New York.

BELLEFONTAINE INSURANCE COMPANY, of the U.S., has established an international division with headquarters in London, to manage its operations in Europe, Asia and Latin America.

Members of the divisional Board are: Mr. L. G. Weeks, Mr. R. C. Lee, Mr. R. G. Langley, Mr. H. V. Anderson, Mr. A. D. Kilby, Mr. L. J. Cordle and Mr. R. W. Virtue. Mr. Kilby, as joint managing director, will control day-to-day management of the division business. He will be assisted by Mr. H. N. Anderson, who will be responsible for the division's underwriting from the company's headquarters in Middletown, Ohio, U.S. Mr. T. J. Harrell has become assistant director of the division and Mr. G. D. Miller has been made secretary to the Board.

Following its acquisition by LORRA, SCOTTISH AND UNIVERSAL INVESTMENTS states that Mr. R. Campbell, managing director, Scottish and Universal Newspapers; Mr. J. R. Crawford, managing director, George Outram; Mr. R. A. Graham, managing director, Whyte and McKay Distillers; Mr. J. E. Fyfe, group financial controller, and Mr. A. D. Feebles, group company secretary, have each been appointed a director of the company. Mr. T. J. Robinson, of Lorrha, has become a director of the company in place of Mr. F. A. Butcher, of Lorrha, who has resigned from the Board. Mr. J. Gossamer, at present an executive director,

will act as chief executive of the company.

Mr. Carlo Cammelli has been appointed by AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION as vice-president and general manager for UK and Ireland. He will report to Mr. Richard Fenhalls, senior vice-president with responsibilities for the Europe I Region.

Mr. Malcolm Bailey has been appointed managing director of ANZON in succession to Dr. Ralph Hey, who will retain the position of chairman. Anzon is a subsidiary of Lead Industries Group.

The Secretary for Education has appointed Mr. Stuart Sexton as his special adviser.

Mr. Richard A. Andrew has been appointed a general manager of SCANDINAVIAN BANK while continuing as managing director of Scandinavian Services SA (SISSA). Mr. Madan L. Mehta is promoted to assistant general manager and Mr. Robin Ahlstrom, Mr. Lars Inacsson and Mr. Robert Meacham have been appointed managers of the Bank. Mr. Ahlstrom becomes head of the Finnish



Mr. Leslie Young

department in succession to Mr. Karl Walder who is returning to Finland to take up a corporate appointment.

THE COUNCIL OF THE SOCIETY OF MOTOR MANUFACTURERS AND TRADERS (SMMTA) has re-elected each of its 197 honorary officers for another term: president Sir Barrie Healey, deputy president Mr. D. A. Pinstor, vice-presidents Bernard Scott, Mr. W. Fric, Mr. P. W. C. Smith; hon. treasurer Mr. M. L. Bredd.

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## ENERGY REVIEW

BY RAY DAFTER, Energy Editor

## The world's other oil resources

THERE IS no reliable gauge of the amount of oil left in the earth's stock tank. The consensus view of global resources is that originally the world contained about 2,000bn barrels of recoverable oil of which about half has already been discovered. So far, around 400bn barrels have been extracted and consumed and the world's proven reserves are estimated to be about 840bn barrels. On this basis American geophysicist, Mr. M. King Hubbert, has demonstrated that output from the world's oil fields will reach a peak in the 1980s and will fall rapidly thereafter. Taking this development pattern, he concludes that children who were born in the 1960s will see the world consume most of its oil during their lifetime: that the middle 80 per cent of the world's ultimate production will be produced in just 58 years, between the late 1980s and the 2020s.

This picture, drawn by Mr. King Hubbert in a 1977 U.S. Congressional Research Service Report, "Project Interdependence: U.S. and World Energy Outlook Through 1990," illustrates dramatically the need for conservation and alternative energy development. However, it ignores the way in which recoverable oil reserves could be expanded, given the application of new technology and the influence of rising fuel prices.

Mr. Michael Grenon, of the International Institute for Applied Systems Analysis, in Laxenburg, Austria, last year produced a report, "On Fossil Fuel Reserves and Resources," in which he showed oil production rising from last year's level of 22bn barrels to reach a peak of about 36bn barrels around 1990. Unlike Mr. King Hubbert, Mr. Grenon sees the possibility of oil production being stabilised at this point at least until the year 2075. In making this extremely optimistic projection, he includes in his reckoning the vast reserves of unconventional oil—shale oil, tar sands, very heavy oil—that currently lie untouched.

British Petroleum, in one of its briefing papers published last year, quantified these potential resources. The company estimated that shale oil resources totalled 3,000bn to 4,000bn barrels of which perhaps 4 per cent could be considered recoverable. Tar sands and heavy oil accounted for another 3,000bn to 5,000bn barrels of which about 10 per cent might be recovered in BP's view.

Even taking these modest recovery factors it is possible to foresee unconventional oil reserves contributing some

600bn barrels to future crude oil supplies, almost as much as the present proven reserves of conventional oil.

The technology for exploiting these resources is close at hand, certainly closer than some other energy forms now being studied seriously by industry and government agencies, as shown in the accompanying table. On the other hand, there could be some serious environmental constraints to their development. Above all else, there is the cost consideration. Thick, heavy oil or shale oil deposits are too expensive to exploit when set alongside the extraction of more conventional forms of fuel. For example, the basic cost of producing unconventional oil is now considered to be in excess of \$15 a barrel—and that is without taking into account costs needed to cover taxation, refining, storage, transmission and distribution costs.

## Cost factor

However, the picture is changing as oil prices continue to rise. OPEC oil delivered to U.S. refineries at the end of last year was costing an average of \$14.50 a barrel; by the end of this year the average should be nearer \$18 to \$20 a barrel. If OPEC producers manage to regulate output in a way that the tightness of supplies continues, further substantial price increases will inevitably arise.

One strong reason why non-conventional oil resources should be exploited is that they could help to relieve the pressure on Middle East supplies, an important security factor considering that the Middle East is one of the most politically volatile areas in the world. The U.S. is particularly favourably placed in respect of its shale oil resources; it could contain 2,300bn barrels according to BP. The other major deposits are to be found in Brazil (800bn barrels), the USSR (1,150bn barrels) and Zaire (1,000bn barrels). Two-thirds of the tar sands and heavy oil is thought to be in Venezuela with most of the balance located in Canada and the Soviet Union. Now that the cost of exploiting some of the heavy oil and tar sands resources is coming more in line with exported crude oil prices, Venezuela and Canada are beginning to speed the development of their unconventional oil reserves.

Rising prices and improving technology also have a bearing on the way more conventional oil reserves are exploited. Here too there is a strong possibility

that the amount of recoverable oil will be stretched as time passes.

At present some 70 per cent of the oil in commercial fields is being left in the ground because it is either too difficult or too costly to extract. Given the right conditions and encouragement the oil industry should be able to improve that recovery factor, at least to 40 or 45 per cent. In many oil fields the industry could do even better.

To do this companies need to apply far more exotic—and commercially, more risky—production techniques than are generally used at present. With only a few exceptions, the oil that is produced at present flows to the surface either as a result of natural reservoir pressures or by means of injected water or natural gas. The oil that is left behind is vast in quantity but it presents the industry with one of its biggest technological challenges. Some of the oil will remain untouched for ever, isolated from the producing wells by geological conditions. The rest of the residue is the hard-to-get oil that may form a film on the walls of the rock pores or it may be locked in the reservoir by droplets of water.

## Gas mix

There is no ready-made key to unlock this store of oil: each reservoir is unique and the quality of oil can vary greatly, from being thinner than water on the one hand to being thicker than cold molasses on the other. To tease this oil out of the ground, production men may have to inject steam, encourage a fire in the reservoir, pump in chemicals or mix the trapped oil with a gas. Latest estimates of the U.S. Department of Energy show that the minimum price of oil required to justify the use of such methods is as follows:

	1979	\$ per barrel
Steam drive	11-16	
In-situ combustion	13-20	
CO <sub>2</sub> flooding	13-25.50	
Surfactant/polymer flooding	20-32	

Again, it can be seen that at least some of these methods are beginning to look economically feasible. It is noticeable how, in recent years, major oil companies have developed a closer liaison between their research and production teams so that they are in a better position to judge which of their mature oil fields could benefit from the introduction of such new technology. I estimate that

NEW SOURCES OF ENERGY			
SOURCE	Theoretical*	STATUS OF TECHNOLOGY	Practical*
Synthetic Fuels		Experimental*	Coal gas Heavy oil from sands Oil shale Heavy oil production Coal liquids (Fischer-Tropsch)
		Coal liquids (New technology)	
Advanced Nuclear	Thermonuclear fusion	Breeder reactors	
Renewable energy sources	Widespread solar electricity		Solar electricity (remote locations) Solar heating Solar cooling Local wind power Tidal power
	Wave power Ocean thermal gradient	Widespread wind power	Bioconversion Geothermal (Dry steam)
		Geothermal (Other than dry steam)	

\* Key—Theoretical: Laboratory or design study stage.  
Experimental: Pilot plant or other form of testing to determine technical feasibility.  
Practical: Technology ready for initial application at total costs (including capital charges, taxes and royalties) up to on the order of twice present real prices of world oil.

Source: Exxon, "World Energy Outlook," April 1979

## ENERGY PRODUCTION COSTS\*

(1979 \$)

	\$ per barrel of oil equivalent
Indigenous coal (U.S.)	3-5
Imported coal (NW Europe)	8-14
Indigenous coal (NW Europe)	10-15
Middle East oil	0.25-1.00
North Sea oil	7-12
Nuclear input break-even value†	15-25
Low Btu gas from indigenous coal (U.S.)	10-23
Liquefied natural gas imports	23-35
Synthetic natural gas from indigenous coal (U.S.)	30-37
Liquids from coal (U.S.)	30-44
Liquids from imported coal (NW Europe)	15-25
Liquids from oil sands	15-35
Liquids from shale	30-40+
Biomass (crops grown for fuel) as liquid	50-130+
Solar hot water (on site, 35 degree latitude)	

\* Excluding taxation, refining, storage, transmission and distribution costs.  
† The fuel input cost required for fossil-fueled plants to produce electricity at the same cost as nuclear stations.  
Source: Shell, "World Energy Prospects," Oct. 1977, updated by major energy corporations, spring 1979

potential is touted up—the amount of shale oil, tar sands, heavy oil and conventional oil that might eventually be exploited through advanced technology—the picture for future oil supplies is seen to be less black than some have painted it. Oil could continue to meet a significant amount of our energy needs well into the next century and, perhaps beyond. But there is a trap here. This hard-to-get oil will not be exploited soon enough and in big enough quantities to prevent a decline in overall production within the next two decades. And there can be no assurance that even a sizeable proportion of this oil will ever be recovered.

There might be economic or environmental reasons why this fuel resource will stay in the ground: perhaps the development of other alternative energy sources will make it superfluous. Yet it is still important for the potential to be recognised by energy planners; unconventional oil could form a plank in the bridge between oil-dependent energy policies and those that take advantage of non-declining sources of power and heat.

Ray Dafter is currently a Fellow of the Center for International Affairs, Harvard, where he is researching the potential for enhancing the world's recoverable oil resources.

## FOOD PRICE MOVEMENTS

	June 14	Week ago	Month ago
BACON			
Danish A.1 per ton	1,150	1,150	1,150
British A.1 per ton	1,005	1,005	1,005
Ulster A.1 per ton	1,005	1,005	1,005
BUTTER			
NZ per 20 kg	14.09/14.37	14.09/14.37	14.11/14.24
English per cwt	81.65	81.65	81.65
Danish salted per cwt	88.10/87.85	88.10/87.85	88.10/87.85
CHEESE			
NZ per tonne	—	—	—
English cheddar trad. per tonne	1,510	—	—
EGGS			
Home produced:			
Size 4	2.95/3.10	2.90/3.00	3.00/3.10
Size 2	3.40/3.60	3.40/3.60	3.60/3.90
June 14		Week ago	Month ago
BEEF			
Scottish killed sides ex-KKFC	65.0/69.0	60.0/65.0	58.0/62.0
Eire forequarters	42.0/44.0	40.0/42.0	38.0/38.0
LAMB			
English	70.0/74.0	—	78.0/84.0
NZ FLS/FMs	51.0/52.5	51.0/52.5	51.0/52.5
POULTRY			
All weights	34.0/44.0	34.0/44.0	33.0/45.0
POULTRY			
Over-ready chickens	41.0/44.0	41.0/44.0	40.0/43.0
London Egg Exchange price per 120 eggs	—	—	—
‡ Unavailable. † For delivery June 15-23.			

## National Westminster Bank

NatWest announces that with effect from Friday, 15th June, 1979, its Base Rate is increased from 12% to 14% per annum.

The basic Deposit and Savings Account rates will be increased from 9½% to 11½% per annum.



## BANCA TOSCANA

Joint Stock Company - Head Office in Florence - Capital, reserves and risks funds: lire 166 508,309,523

DINARY GENERAL MEETING of shareholders of the Banca Toscana was held on April 30, 1979, in Florence at the Bank's Head Office, the Portinari Salvati Palace, under the presidency of the Hon. Dott. MARTINO BARDOTTI. After the President's address to the shareholders, the Managing Director, Dott. GIOVANNI CRESTI read the Board of Directors' Reports and answered numerous questions thoroughly.

In the extraordinary session the shareholders approved the increase of the share capital from 12 to 24 billion lire by raising the shares' nominal value from 100 to 200 lire and from 24 to 30 billion lire by issuing new shares at nominal value.

In the ordinary session the annual report as of December 31, 1978, which evidences the successful results achieved by the bank, was approved by a large majority.

## FROM THE ANNUAL REPORT AS OF DECEMBER 31, 1978

Customers' deposits	3,252 billions (+ 27,23% over 1977)
Loans to customers	1,012 billions (+ 8,66% over 1977)
Securities owned	1,321 billions (+ 25,82% over 1977)
Net profit	5,190 millions
Capital, reserves and risks funds	165 billions

The net profit for the financial year made it possible to allocate 1,790 million lire as reserves, 350 million lire to charity and 3 billion lire to capital. The dividend, amounting to 25%, is payable from May 2, 1979, at all our branches as well as at Monte dei Paschi di Siena, Credito Commerciale and Credito Lombardo.

The shareholders unanimously appointed Mr. Carlo Zini and Mr. Bruno Tassi Directors. The Board of Directors, which met after the General Meeting, appointed Mr. Carlo Zini Managing Director.

The BOARD OF DIRECTORS is thus made up as follows:

President: Martino Bardotti - Vice President: Rodolfo Brizzi - Managing Director: Carlo Zini - Directors: Paolo Barile, Giuseppe Catturi, Siro Cocchi, Vincenzo Fratoni, Giorgio Giorgi, Giorgio Gori, Giorgio Kutufá, Gianni Menghetti, Eramanno Saggini, Carlo Serafini, Giancarlo Signorini, Bruno Tassi - Secretary: Aldo Galanti.

SUPERVISORY BOARD: President: Mario Tanini - Members: Athos Rossi, Enzo Tenti, Carlo Luigi Turchi, Alberto Zanni, Elio Canaletti, Pilo Politi. The Central Management is made up of: Central Manager: Fosco Bucclanti - Deputy Central Managers: Domenico Coccioli, Ilio Piccini, Mario Vasetti.

Through the recent acquisition of the majority of Credito Commerciale's capital stock, the banking group: MONTE DEI PASCHI DI SIENA - BANCA TOSCANA - CREDITO COMMERCIALE - CREDITO LOMBARDO - administers deposits, as of March 31, 1979, for over 16,000 billion lire. The group's own resources total 700 billion lire.

## Brown Shipley

Extracts from the Annual Statement by Lord Farnham, Chairman of Brown Shipley Holdings Limited, for the year ended 31st March, 1979.

Fluctuations in financial markets again dominated our affairs and political uncertainties and depressed economic conditions have inhibited optimism and enthusiasm for expansion in the commercial community which we serve. Interest rates rose sharply, MLR rising in stages from 6½ per cent. in March to 10 per cent. in June with further sharp increases in November to 12½ per cent. and in February 1979 to 14 per cent. With the prospects for economic growth and trading activity uncertain we must hope that the present level of 14 per cent. does not have to be maintained for long.

## Result for the Year

The profit of the Group after providing for taxation and a transfer to the inner reserves of the Bank, amounted to £1,651,153 (£1,692,995). The Directors recommend a final dividend of 6.107p bringing the total for the year to 10.607p. This represents the maximum increase permitted at present.

It is now announced that dividend regulations will lapse in the near future and the Directors consider that an increase to a higher level would be appropriate. They intend to review this at the time of the interim statement in November. The Directors of Brown Shipley & Co. Limited have reviewed the size of the inner reserves of the Bank and it was considered appropriate to transfer £2,000,000 to the Bank's disclosed reserves. Together with retained profit and other movements this has increased the Group's disclosed capital and reserves by £3,158,688 to £18,958,221.

## Banking Group

In the first half year demand for credit was low and margins on available business narrowed. Earnings on the Bank's free capital improved in the second half and we were encouraged by some increase in demand for credit facilities. This was reflected in a higher level of utilisation of our acceptance facilities at the year end. Assets held for leasing have increased from £11,472,421 to £13,883,984 and the contribution to banking profit has shown a significant improvement.

Our banking businesses in the Channel Islands made steady progress and provided useful contributions to profit. During the year we increased our holding in Trinity Bank in Dublin to 78 per cent. and we are very pleased with its progress.

The net disclosed profit of the Banking Group after taxation was £1,252,493, a decline of 4.4 per cent.

## Insurance Group

Growth in brokerage earned in the United Kingdom from both home and overseas markets failed to keep pace with costs incurred here. The low level of economic activity and the strengthening of the pound against the currencies of our major overseas earnings remain significant factors in this unsatisfactory picture. Of our direct overseas operations, that in the United States has again made an important contribution but our Australian company has still to become profitable. Our South African subsidiary has also made a significant contribution. The net result was £769,706 before taxation compared with £795,269 in 1978.

## The Future

The economic outlook remains uncertain but one of the main causes of this, concern over the price and availability of oil, may itself contribute something to stability. The accelerating contribution of North Sea oil to our balance of payments should increase confidence in our currency and provide the opportunity to reduce interest rates. The political uncertainty of the past year is now over and we hope that the new Government will be able to generate the enthusiasm in industry and trade in this country which is so important to the prosperity of both our banking and insurance businesses.

Year ended 31st March	1979	1978
Profit of the Banking Group after tax and transfer to inner reserve	1,252	1,310
Profit of Parent Company and Insurance Group after tax	329	383
Net profits of the Group	1,651	1,693
Dividends	587	513
Retained profit	1,064	1,180
Other net increases in disclosed reserves	2,095	1,495
Total gross assets	252,894	221,847
Shareholders' funds	18,958	15,798

The full Annual Report and Accounts and Chairman's Statement may be obtained after 22nd June from The Secretary.

## Brown Shipley Holdings Limited

Founders Court, Lothbury, London EC2R 7HE

# UK NEWS—PARLIAMENT and POLITICS

## LABOUR

### Thatcher shrills above Labour battle cries

By Philip Rawston

THE BUDGET'S reverberations struck a shrill defensive chord from Mrs. Margaret Thatcher in the Commons yesterday. Sir Geoffrey Howe's composition had not awakened quite the harmonious response that had been expected.

The TUC was booming threateningly in the grounds, the FT Index reflected the City's semi-quavers. Protests about prices were rising.

In the sure knowledge that the Commons critics would be waiting for her, the Prime Minister arrived well-equipped with the records of 15 Labour Budgets.

It did not take long for the discord to start. Mr. Tom Cox, Labour MP for Totting, complained angrily about the

effect of the Chancellor's measures on housing.

"Is she aware of this?" he demanded incredulously.

Mrs. Thatcher snapped that she was aware—Did he know that his Government held the record for the highest mortgage rates?

Mr. Robert Hughes (Lab., Aberdeen North) crochetedly inquired when the Prime Minister was going to meet the TUC.

"Very soon," said Mrs. Thatcher, consulting her notes.

Would she discuss with them how she was going to handle the 2m unemployed that would result from her Government's actions by the end of the year? Mr. Hughes asked.

And why she had been so dishonest in keeping this

quiet during the election campaign?

Again Mrs. Thatcher knew the score. The Labour Government had more than doubled the country's unemployed, she declared.

She agreed with Mr. Anthony Marlow (C., Northampton N.) that since less than half their members had voted Labour, trade union leaders should not "strut around the national stage as second-rate socialist politicians."

Above the Labour jeers, Mrs. Thatcher shouted that the Conservatives would do everything they could to increase "genuine" jobs.

"The Budget makes a very good start," she cried.

Mr. Bob Cryer (Lab., Keighley) suggested that the Budget had already made a

very good start too, in wrecking industrial relations with its massive price increases.

And Mr. Mike Thomas (Lab., Newcastle E.) suggested that those price rises would mean that anyone earning less than £10,000 a year would be no better off.

Mrs. Thatcher's fury waxed—and she stood at the despatch box yelling lines from Mr. Denis Healey's past performances.

The Tory Budget had reduced direct tax and left more money in people's pockets with some left over, she said.

Mr. Healey, in his first Budget in 1974, had increased prices by 3.75 per cent, Mrs. Thatcher recalled.

On top of that, he had increased income tax by 3 per

cent, she shrieked over a chorus of Labour ribes.

Before 1974 was out, Mr. Healey had raised the price of petrol—then gear on in the following year to increase both prices and taxes again, Mrs. Thatcher roared

bearishly.

"She's rattled," Mr. Dennis Skinner (Lab., Bolsover) observed delightedly as the Prime Minister breathlessly sat down.

Mr. James Callaghan, who until then had conducted himself unobtrusively on the Labour front bench, rose to ask politely when Mrs. Thatcher intended to stop fighting the last election.

"When you stop your troops from fighting it," she shrieked, and Labour

### One-day stoppage disrupts post

By Philip Bassett, Labour Staff

MANY POST OFFICES were closed and collection and delivery services disrupted yesterday by a one-day strike by members of the Post Office Management Staffs Association.

The Post Office, which had warned customers not to post parcels or letters unless absolutely essential, said that the effect of the strike had been patchy.

The union claimed that 92 per cent of its 18,700 members had taken action and about 75 per cent of Post Office counters had been shut.

All counters had been closed in inner London, and about 90 per cent in outer London. About 45 per cent of sorting offices throughout the country had been closed also.

Telegram services and ship-to-shore radio also had been affected, although it was not possible to estimate the extent.

The union is claiming increases of about 25 per cent for its 5,000 telecommunications members. The Post Office has offered 9 per cent plus 3.7 per cent for grade restructuring, and for those groups with April settlement dates a further 2.4 per cent for moving to a common date of July 1. A further 3.4 per cent to be paid in April next year is now being offered.

The Post Office has offered the union's 13,000 postal members 9 per cent, plus £110 to cover disparity with telecommunications staff. The union is claiming the disparity is more like £500 to £600.

The Post Office has imposed a 9 per cent increase on 4,000 senior postal staff, including area general managers, senior non-board staff responsible for specific areas of business, and other staff. Current salaries range from £5,000 to £16,000.

The increase, which is backdated to January 1, is the first part of an offer which also includes a 4.4 per cent payment to move the senior staff's settlement date from January 1 to July 1 and an offer to establish wider differentials between them and the grades immediately below.

Boilermakers on strike at Smith's Dock

SIXTY BOILERMAKERS employed at Smith's Dock Company on the River are on unofficial strike over longstanding pay differentials between themselves and other members of the Boilermakers' Society at the yard.

The company said that the trouble arose from the dual classification of members. One group, classed as "main" boiler-makers, were paid 294 a week while the other, classed as "outfitting" trades, got 288.

A claim from the latter group was being considered, but the 60 men had taken action before the outcome.

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The last strike at Smith's Dock involved 100 draughtmen at the Haverton Hill yard.

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### Union backs 16% chemical pay package

THE Association of Scientific, Technical and Managerial Staffs has recommended that 2,000 white collar workers should accept a 19 per cent pay package.

The staff are employed by the Albright and Wilson chemicals company. It is the first significant pay deal to be agreed between negotiators and an employer since the Budget.

The deal is seen by the union negotiators as the new minimum level of settlement necessary to take account of price rises incorporated in the Budget as well as past inflation.

Union leaders representing some 60,000 process workers in the chemicals industry have rejected a 14 to 15 per cent pay offer from the Chemical Industries Association.

They said in pay negotiations this week that industrial action might result if 20 per cent were not met.

The Albright and Wilson offer being recommended by the ASTMS after nearly two months

of negotiations adds between 18 1/2 and 19 per cent to the company's wage bill for scientists, technicians, clerical staff, supervisors, salesmen, computer staff, professional engineers and managers in 18 locations in Britain.

Basic rate increase costs are put between 14 1/2 per cent for junior grades and 15 per cent for seniors.

In addition to improvements in benefits, including shift and on-call night duty allowances are estimated at 2 per cent.

Another non-negotiated increase comes from a merit payment of 2 per cent.

The pay rise will mean average salaries for staff of between £5,000, for a basic 36 1/2 hour week, plus overtime premium rates and a 7 per cent productivity bonus.

Pay negotiations affecting 4,000 process workers in the company are continuing but are not expected to be completed until after settlement with the employers' association.

### Move to ease Tube dispute's effects

By Philip Bassett and Lina Wood

THE GOVERNMENT announced plans yesterday to try to ease the effects of a London Underground strike set for Monday as union officials and London Transport met for further talks aimed at settling the dispute.

Mr. Norman Fowler, Transport Minister, told the Commons that 8,000 extra car parking spaces would be available in London, although, on police advice, waiting restrictions and meter charges would not be suspended.

In outer London, some waiting restrictions near suburban British Rail stations would be relaxed where traffic movement would not be impaired.

The police would also operate caravans on key routes between 7am and 10am and between 4pm and 7pm. Detailed advice would be issued at the weekend.

It was unlikely that fuel supplies for public transport would be present special difficulty, but the Government would watch the position closely. Further measures "may be considered if necessary."

Mr. Fowler said later that the Government was not party to the dispute but it had a responsibility to the people who lived and worked in London.

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### Jenkin appoints industrial relations expert to NHS

By John Hunt, Parliamentary Correspondent

IN AN effort to prevent a repetition of the industrial strife which disrupted the National Health Service last winter, the Government has called on the services of Professor Roger Dyson, an economist and specialist in industrial relations.

The professor, who is director of the Department of Adult Education at Keele University, has been appointed consultant adviser to Mr. Patrick Jenkin, the Social Services Secretary.

He will work initially for the Department one day a week on industrial relations in the NHS and in the social security sector, where industrial action by computer staff delayed payments earlier in the year.

Announcing the appointment during the continued Budget debate in the Commons yesterday, Mr. Jenkin said that his Department and local health authorities were studying very closely the events of last winter.

He had appointed the professor to strengthen the advice he received on such matters.

Mr. Jenkin strongly emphasised that the Government wishes to make rapid moves to decentralise the NHS. The Royal Commission on the Health Service is expected to report in a few weeks.

The Secretary of State said that he did not want to make any precipitate moves before studying the report. Nevertheless,

less the Government would not want to wait long before starting action.

The responsibilities of local managers in the NHS had to be stressed. There was a real case, he said, for giving as much local autonomy as possible.

Defending Tuesday's Budget, he said that the welfare of the old, the sick and disabled depended on the ability of the economy to produce the wealth to pay for it.

The Budget was crucial to the level of welfare benefits and health care. If we reversed the decline of the economy these services could look forward to a brighter future.

He denied Mr. Callaghan's allegation that the Budget was a reckless gamble. It was vitally important, said Mr. Jenkin, that we should cut public spending and reduce Government involvement.

The Secretary of State accused Labour of running a "squalid scare campaign" during the last election about Conservative plans to cut health and social security.

But in fact, the Government on Wednesday had announced the biggest pension increase in history and was maintaining overall spending on the NHS at the level which it inherited.

On the Government's plans for the wider use of private medical care, Mr. Jenkin said he had been having talks with

trade union leaders in the NHS and with various interests in the private sector.

The Government was looking for partnership and co-operation in implementing its proposals. In this area—and on pay beds—a consultative letter setting out the Government's general proposals would soon be going to various bodies. He would bring legislation before the House in the autumn.

Meanwhile the Health Service Board, which recommends private beds in the NHS should be abolished, would not submit any more major proposals before January.

Mr. Jenkin hoped that the Tories could achieve this with the co-operation of other parties in the Commons.

But this hope was immediately dashed by Mr. Stanley Orme, speaking from the Labour front bench. Mr. Orme, Social Security Minister in the last Government, prophesied that the differences on health policy between the Government and the Opposition would become more pronounced.

When the Secretary of State asks for co-operation on the basis of this policy, I really think he is living in cloud cuckoo land," Mr. Orme said.

"I think the forecast of 17.5 per cent inflation will be too low," warned Mr. Orme. "It is more likely to be 19 to 20 per cent—and that is going to be a real cut in living standards."

### Government 'will not intervene'

By Ivor Owen

THE GOVERNMENT's policy of not intervening in industrial disputes will not be breached if the threatened strike by workers on the London Underground takes place on Monday.

Mr. Norman Fowler, the Minister of Transport, gave this firm assurance in the Commons yesterday.

While hoping that the talks convened by ACAS, the independent arbitration and conciliation service, would enable the strike to be averted, he outlined the Government's contingency plans, including the provision of 8,000 extra car parking places in central London.

Mr. Fowler reaffirmed the non-intervention policy in response to a direct challenge from Mr. William Rodgers, the former Labour Transport Minister, who stressed that a settlement of the dispute had hardly been made any easier by the

Government's own forecast that inflation would be running at 17 1/2 per cent later this year.

"This is not a climate in which it is easy to get a solution to industrial disputes," he said.

Mr. Fowler retorted: "This is not a Government dispute. It is a matter between the London Transport executive and the rail unions with whom they negotiate."

"I am sure that none of those directly concerned would want the Government to interfere in the well-established machinery for settling pay. Nor do I have any intention of doing so."

The Minister urged Mr. Rodgers to make the Opposition's attitude clear, pointing out that the only effect of the dispute would be to put fares up still further—beyond the 12 per cent increase already due to take effect in September.

He recalled that the offer made to the workers of London underground matched that recently agreed with the London busmen.

"I am advised by the leader of the GLC that if the union's much larger claim were agreed, this would entail a very significant increase in fares in addition to those already planned, or cut in services."

Mr. Fowler warned that if the strike did take place there was a danger that it would not be possible to confine it to a one-day stoppage.

In outlining the contingency arrangements, he explained that the 8,000 extra car-parking places would be provided in the Royal and other London parks.

On the advice of the Metropolitan Commissioner of Police, it was not planned, at present, to lift waiting restrictions or to suspend metre charges.

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### Pensions formula rejected

By Eric Short

THE GOVERNMENT was warned yesterday by Mr. Len Murray, the TUC general secretary, that the TUC could not accept the proposal that pension increases should in future be based on price rises only.

Speaking at the first National Pensioners' Convention organised by the TUC and held in London, Mr. Murray said it was a vital part of TUC policy that a pensioners' income be tied directly to that of the working population, and that uprating should be directly linked to wages. The TUC would resist any proposal to change the present system linking pensions to earnings or price rises, whichever was higher.

It was the policy of the TUC that pensioners should receive an adequate basic pension from the welfare state, and a country could not afford to raise pensions but how it was going to be done.

The Government had to decide how to raise the money fairly through taxation and national insurance.

This theme was adopted by most delegates at the convention, all of whom were bitterly opposed to the Government's policy on future pension upratings. Some delegates went further than the TUC and demanded that a single person's pension should be one half of national average earnings and a married couple's three-quarters.

Mr. Jack Jones, former general secretary of the Transport and General Workers Union and now president of the TGWU retired members section, demanded that pension increases should be made every six months and rejected any excuse of administrative inconvenience. He considered it not unreasonable for pensioners to ask for this year's Christmas bonus to be increased to £20

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The Central

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## MAINTENANCE

### Predicting when a machine will fail

IN THE opinion of IRD Mechanicals, U.K. industry has yet to wake up to the electronic methods that are available for assessing the health of expensive rotating machinery, describing the losses caused by surprise machine breakdowns as "staggering".

Apart from planning a series of seminars for senior production and engineering managers to get the message across, the company is also introducing two new equipments which "listen" to the sounds made by the moving parts. The acoustical signature of the machine can be established when it is known to be in good order, any later deviation indicating a possible fault.

The more comprehensive of the two machines, model 840, is a vibration analyser and dynamic balancer. It has liquid crystal displays of the frequency and amplitude derived from a transducer fixed to the machine under test, a real time octave band display which shows the amount of energy present in each of 14 octaves over the vibration band of frequencies, and an output for connection to a chart recorder.

After taking a quick look at the total energy on the display, the engineer can "home in" on

areas of interest and conduct spectrum analysis.

A simpler machine, the 810, can be easily held in one hand while the transducer probe is placed in contact with the test machine using the other hand. Thus, a quick check can be carried out for vibration, unbalance or misalignment or, in another mode, the unit will detect bursts of "spike" energy given off by defective gears or bearings. The instrument has a simple meter on which displacement, velocity or acceleration can be read; weighing only 2 lbs, it has outputs for oscilloscopes, recorders and analysers.

IRD says it has found that too many production executives still subscribe to the "breakdown maintenance" method—that of passively waiting until complete failure, product waste or inefficiency forces a shutdown. Others conscientiously dismantle and inspect their machines at intervals, yet this is also wasteful says the company, since "it is impossible to predict what the correct intervals should be". The only answer it concludes, is continuing detection and diagnosis.

More from Bumpers Lane, Chester CH1 4LT (0244 374914).

### Skimmer will handle industrial routines

VIKOMA INTERNATIONAL of Weybridge, member of the BP group of companies, has released details of a low-cost oil skimmer, latest member of the Keabab skimmer range which shows the amount of energy present in each of 14 octaves over the vibration band of frequencies, and an output for connection to a chart recorder.

Developed at the BP Research Centre, Sunbury-on-Thames, following extensive discussions and trials with water authorities and industry, this skimmer has been designed to recover floating oil on a routine basis, or from accidental spillages.

Keabab 600 is a compact floating unit which operates from a 12-volt supply and will run for over 20 hours on a 12-volt battery before recharging.

The system works on the rotating disc and scraper prin-

ciple which will remove floating oil from water on a continuous basis, unattended. Dependent on the type of oil spillage, up to 600 litres per hour of oil can be removed via a hose to a suitably sized container, with the minimum amount of free water pick-up.

Weighing less than 12 kg the 600 is constructed from welded marine grade aluminium with stainless steel discs. Maintenance and spares requirements are minimal and the skimmer can be operated by relatively unskilled labour.

Vikoma International, Crest House, 39 Thames Street, Weybridge, Surrey, Weybridge 43315.

## SERVICES

### CDC expanding European support

ANNOUNCING the connection of three of its European data centres to the existing CDC fast high-level international communications network, Control Data Corporation disclosed in London this week that its total spending in Europe so far on equipment and structures to set up service complexes, and links to IBM, amounted to \$35.3m with a further \$10m to be spent up to the end of next year.

This will bring the total amount invested by the company in Europe in all its forms of service, together with the training of operators and users, to well over \$50m and to over \$1bn worldwide.

Continued heavy investment on the services side has been made possible by a marked improvement in the company's finances with profits in 1978 up 42 per cent to nearly \$80m. Of this \$41.3m came from computer business, more than

double the 1977 income. Profit from services in Europe is growing faster than for any other sector of the company's activities.

Two types of service offered are the Call business-oriented service implemented largely on IBM CDC Omega plug-compatible equipment, and CERNET, using essentially CDC machinery. This last service contains some of the most complex engineering, simulation and other program suites.

One of these makes it possible to carry out time, resource and cost analyses with up to 8,000 activities and 12,000 relationships, something that only the very largest multinational companies could afford to work out with their own programming forces.

One of the data bases maintained by the company—Tecnote—could be described best as a form of international round the clock "for sale and

wanted" journal of technology. It is being offered to companies everywhere, both as a source of information and as a means of gaining very fast dissemination of new product and process announcements.

The company has put in at a number of European locations some of the largest machines now available for scientific and engineering work, but at the same time it has not stinted on recruiting and training the best available analysts and computer scientists. This is a deliberate policy based on a belief that however powerful the machines, people and their brain-power will in the end dictate how well equipment is being used to serve the scientific and business communities around the world.

These moves and the existence of 39 major machines in strategic locations from Stockholm to Tokyo underline the CDC strategy for progress in the computer business where in the past—due partly to its brave

innovations on the very large machine front—its fortunes have often looked bleak.

In another area, long-term planning of resources, CDC data services are helping the Dutch Government to plan two new cities—Lelystad and Almere—being built on reclaimed polder land in the Zuider Zee project, close to Amsterdam. They will ultimately have a combined population of 330,000 and are being planned in such a way as not to become just another over-spill area for Amsterdam.

Probably a key element in the company's services is the communications array which makes use of 9,600 b/s channels with two satellite hops to span the world. It is returning reliability of over 99 per cent and has capacity to accept up to 4,000 simultaneous users.

Further from CDC, Control Data House, Shaftesbury Avenue, London WC2, 01-240 3400.

## ENERGY

### Insulation venture by RMC

THERMOBLINDS—the high-insulation internal window shutters which aroused a great deal of interest when they were reported on this page last year—now come within the product range of a new company set up by the Ready Mixed Concrete Group.

RMC Panel Products, backed with an investment of £1m, will extend manufacture of the shutters which can be produced with cores of various types of heat-retaining materials, as required, and are claimed to be many times more efficient and cost-effective than double glazing.

A second range of products comes under the name of Rhombitex. This describes a variety of wood wool slabs manufacture of which also will be extended, for two reasons.

One is that their production does not demand a great deal of energy to achieve excellent insulating results. The other is that the main competition for them comes from petroleum-based products which inevitably must rise in price much more quickly than the raw materials for Rhombitex.

New forms of this panel are under development and the company expects to see demand for it grow to a point comparable with its use in advanced European countries.

RMC Panel Products, Waldorf Way, Denby Dale Road, Wakefield, 0924 62081.

## POWER

### On standby in desert country

A FULLY developed prototype of a 25 kVA generator set that has been designed to work in very hot climates is now ready for further exploitation at Keewest Developments, Totton By-pass, Southampton, Hants (04216 3180).

Known as the Ruehington generator, the unit is powered by a diesel or Chrysler petrol engine adapted for liquid petroleum gas (LPG), in turn driving a Hawker Siddeley alternator. The whole completely enclosed in a glass fibre moulded acoustic cover lined with polyurethane foam. Under full load the set is said to be no more noisy "than a family car at idling speed."

An unusual feature is that the prime mover and alternator are not direct coupled—instead the engine is mounted somewhat above the electrical machine, with drive via a timing belt; a suitable ratio enables the engine to be run at optimum speed for fuel economy and long life.

A further advantage of mounting the engine thus is that cooling of the two elements is separated.

For the engine, a tropical four-row Serck truck radiator is used in conjunction with a powerful fan in a moulded cow that concentrates the airflow over the ducted exhaust manifold and out through louvers. This flow is completely separate from that used to cool the alternator.

The engine induction air is further cooled by the latent heat of evaporation of the LPG as

it expands into the carburettor. Fail-safe devices monitor both low oil pressure and high coolant temperature.

Keewest also asserts that since a relatively large amount of energy can be stored in a reasonably large gas bottle, it is not difficult to install a gas system that will run the set continuously for 50-100 hours.

The set is relatively cheap, lightweight, easily serviced and quieter than a diesel—but could not be run for long on petrol due to fuel storage regulations.

The company, which has only limited manufacturing capacity, is willing to discuss licensing arrangements. More from the managing director, Mr. G. West.

## MATERIALS

### Panel stands weathering

COMBINATION OF water and weather resistant plywood (made of tropical hardwood veneers bonded to withstand moisture in high-hazard exterior conditions) and glassfibre reinforced polyester has resulted in a new type of sheet material, made by Dutch company Bruynzeel and marketed now in the UK by James Latham (Northern), Longlands, Ossett, West Yorkshire (0924 278111).

Surface of Montaplex is colour fast and because it is

not a separate laminate, it cannot part from the plywood base.

Developed for facias, doors, in-fill panels, for use in boats and shipbuilding and throughout the construction industry, it is having initial success for advertising signs and shop fronts, says the company.

Latham will be showing the sheet at Interbuild at the National Exhibition Centre, Birmingham, at the end of this year.

### Long life gas valves

A RUBBER compound which is claimed to make gas valves more durable is now available from the Andre Rubber Company of Kingston By Pass, Surbiton, Surrey KT6 7LY (01-897 5272).

The compound, called AW152, is virtually impermeable, it absorbs only minimal amounts of high pressure gas

and retains its physical characteristics despite the high temperatures created by moving gases, which can travel at close to the speed of sound.

The compound and an associated moulding technique were developed initially to meet specifications for applications in regulator valves in natural gas pressure reduction systems.

"Our accounting system was too slow, so my accountant advised me to talk to Philips about a computer."

When the accounts begin to lag behind the business, it's time to look seriously at today's business computers. But unless you're something of an expert, most computers look the same.

This is why it makes sense to talk to Philips first. Philips are Europe's largest electronics firm, with a name for quality, value and reliability. And with 3,000 Philips computer users in Britain alone, they've met most business accounting problems before.

Philips computers are available from only £44 a week. That's less than the cost of a clerk, but the system handles the work of three. And while it's completing the routines, in minutes instead of hours, a Philips computer is compiling the statistics that are vital for managing your business.

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## PROCESSES

### Oil cleaned for re-use

SOLIDS can be removed from a wide range of liquids using a new centrifugal clarifier from Bennett Guest, 6, Vigo Street, London W1 (01-439 7898), but a particularly important use at the moment lies in the reclaiming of cutting oil in machine shops.

According to the company there are still many shops, some quite large, that throw their used cutting oils away in some cases incurring costs of £10.00 to £20.00 a year. Furthermore, current costs of about 50p a litre are likely to increase in line with all other oil products. Bennett Guest's latest machine costs about £2,000 and in one recent case says the company, this sum was recovered in five weeks.

The clarifier removes all types

of particles without the use of filter cartridges but does not take out oil additives.

Applications are numerous. With grinding coolants for example the unit will remove sludge generated by the material being ground as well as wheel particles.

A further application is with screw machine cutting oils that have been reclaimed from chips or taken from machine sumps.

The machine uses a bowl of special shape (rather like the re-entrant glass bottom of a wine bottle) which is spun at high speed to induce accelerations of over 10,000G. The fluid is pumped in at the top while the sludge accumulates near to the bottom and clear oil overflows from the rim.



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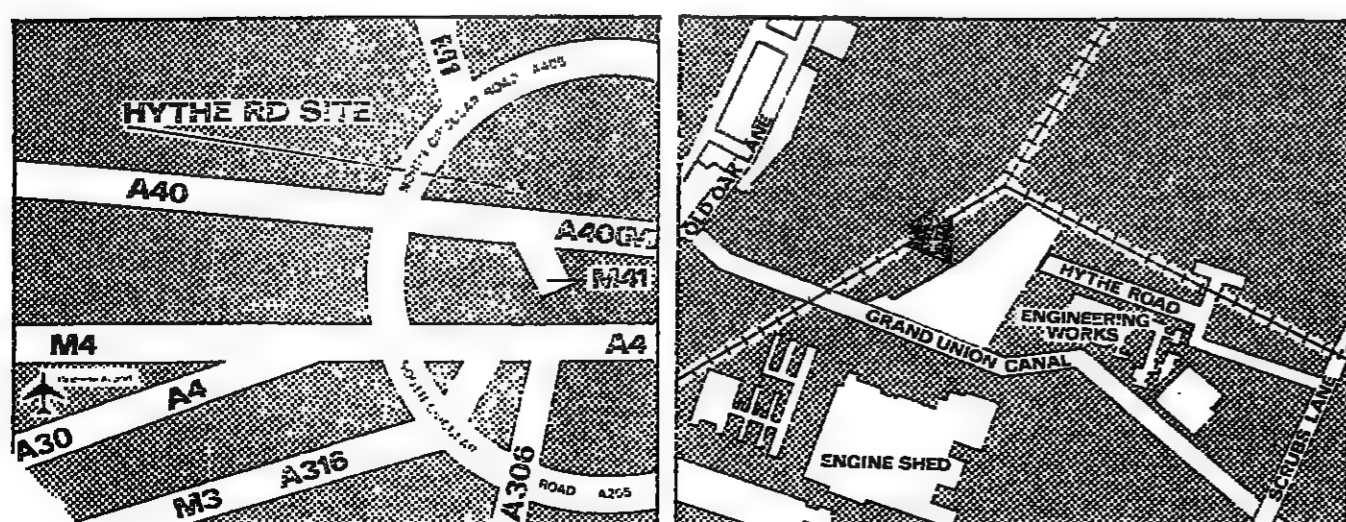
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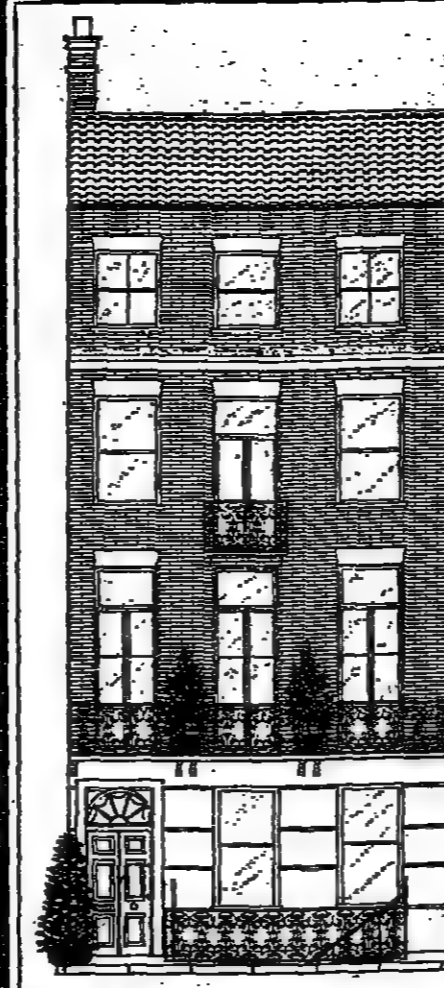
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## FINANCIAL TIMES SURVEY

Friday June 15 1979

## Pipes and Pipelines

While world-wide markets for pipes and tubes offer little hope of a sizeable upturn in demand, European manufacturers are now facing fierce competition with cheaper pipe imports from new plants in developing countries. Forecasts of pipe usage by the oil and chemical industries also remain depressed, influenced, in part, by energy saving campaigns.

## European market under attack

By Roy Hodson

EUROPEAN PRODUCTION of pipes and tubes is now running at between 75 per cent and 80 per cent of the available capacity. That cannot be said to be an encouraging performance at a time when business is generally improving for steel-makers after four difficult years.

What is being reflected by the sluggish sales of European-made pipes and tubes is the growth of fierce competition in international markets from steel companies which have invested in new plants in the developing countries.

As the steel recession fades, many of these new producers are building up their sales for the first time. They are making their presence felt in a particularly acute form in the European pipes and tubes market.

Imports into the EEC market from the East Bloc producers and Spain have been posing special problems, while South African-made pipe is being sold in Britain.

The difficulty facing European producers is that pipes and tubes are regarded in the EEC as products made from steel,

rather than as steel itself—in the jargon they are "first transformation products." That means that they have not been within the control of the steel industry management and reconstruction plans organised by Viscount Egon de Meuron, the European Industrial Commissioner.

Despite appeals from the European Tube Makers' Association, representing the EEC producers, Davignon has not been able to bring their products into the fold.

The best they have been able to obtain is some relief from pressures from cheap imports through the bilateral agreements arranged between the EEC and third countries selling steel into the EEC. Under these agreements, arranged by Davignon, discussions can be opened if trade in first transformation products increases significantly.

World-wide markets for pipes and tubes hold out little hope of a sizeable upturn in demand. Forecasts of usage by the oil industry and the chemical industry remain depressed, influenced by the energy saving campaigns. Neither is there much indication of growth in the usage of pipes and tubes in general and constructional engineering.

The makers do not fear a relapse into recession this year or next. But they do not hold out much hope either of a consistently higher rate of ordering of their products.

More than 10 per cent of EEC steelmaking goes into pipes and tubes. The annual tonnage is now running at between 10m and 12m tonnes. Unlike most sectors of the steel industry, the pipe and tube makers are, by tradition, heavily dependent

upon export business to third nations and to neighbouring European nations.

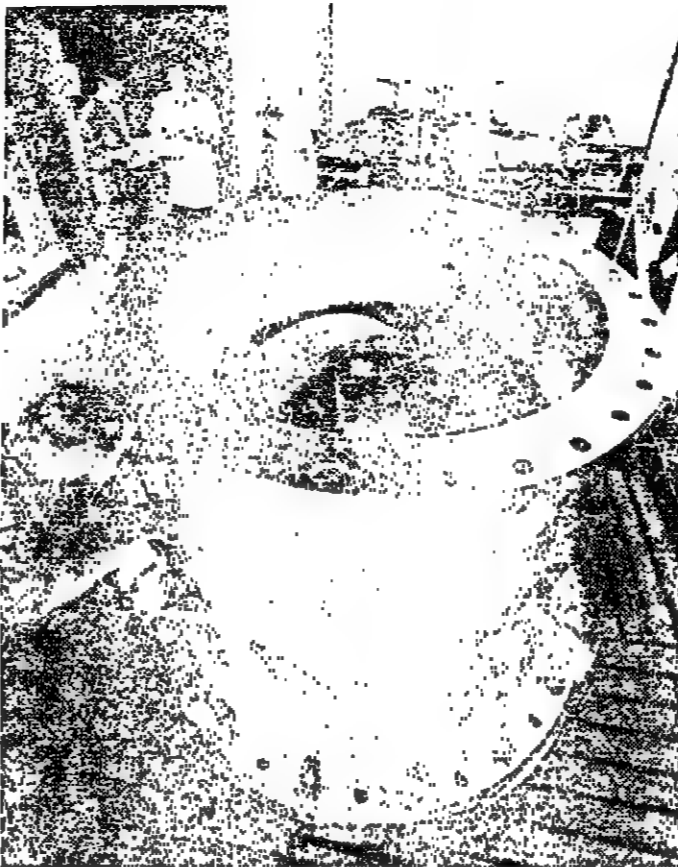
Germany is the largest EEC producer, followed by Belgium of Italy (half-owned by the State steelmaker, Italsider), and Valloire of France. The British Steel Corporation ranks as the fourth largest EEC pipes and tubes maker.

## Exports

These companies are used to exporting up to half of their production. British Steel is now exporting about a third. It would like to concentrate more upon the home market. But, again, there is a shortage of business. The North Sea oil and gas fields are no longer absorbing big tonnages and British Steel is having to sell hard abroad to keep its position in the pipelines markets.

The Tubes Division of the British Steel Corporation operates as a separate entity within the corporation. It is manufacturing at a rate of up to 800,000 tonnes of products a year, of which some 600,000 tonnes is made at the division's main plant, Corby, in Northamptonshire. The division also has two works in the Midlands, three works on Teesside, and the Clydebank works in Scotland, plus some smaller facilities.

During the disastrous year of 1977-78 for BSC as a whole, when the corporation lost a record £43m, the Tubes Division lost £10m. Clearly, losses as such a rate on under ten tonnes of products are unsustainable. British Steel is now looking at the Tubes Division problem by proposing a drastic rationalisation scheme. Pipes



The pipe of a range of low pressure extraction steam heat exchangers under construction for the power industry at the works of Dewberry and Co., in Enfield, London.

for tubes are also expected to be rationalised.

It has been put to the unions that between £20m and £30m a year could be saved on the Corby operation if iron and

steelmaking using local ore at that works were to be ended.

British Steel is bringing a high-speed steelmaking operation into production at Teesside, based upon low-cost

iron ore from its new 10,000-tonne blast furnace. The

proposal is to send semi-finished steel made at Teesside down to Corby for pipes and tubes production. The corporation

believes that savings of that order are possible in spite of the transportation costs involved.

So far, the unions at Corby have resisted fiercely the concept of closing their iron and steelmaking plant. They estimated that up to 5,000 jobs would be lost, either directly or indirectly.

The Corby works was developed in an area without a tradition of iron and steelmaking in order to take advantage of local deposits of iron ore. As the British Steel strategy has developed of importing rich foreign ores to coastal steelworks, the Corby ironmaking, based upon a low quality ore, has become steadily less attractive.

But even if Corby loses its iron and steelmaking—and much argument can be expected before a decision is made—the plant is to continue as British Steel's main pipes and tubes production plant.

The plant is producing big tonnages of continuous welded pipes and square section tubes for use in construction and for gas and water applications. The continuous weld plant there can make 315,000 tonnes a year. The Corby plug mill makes pipes from solid bars and has an extensive market for casing and tubing in the oil industry.

Another Corby mill produces tubes by electric resistance welding for high quality boiler tubing.

Some £40m is being invested at Corby on a new electric weld

ing machine. British Steel believes that customers will increasingly prefer tube and pipe made in this way because of its high and consistent quality.

British Steel has been criticised in the past for not making submarine pipelines. Large quantities of pipeline had to be imported at one period during the rapid expansion of the North Sea oil fields.

The corporation is still showing some ambivalence about entering the submarine pipeline market. Meanwhile, it has invested nearly £10m at Clydebank on pipe finishing facilities and has also made a heavy investment in the replacement of its 44th pipe mill at Hartlepool.

The Hartlepool mill has now been improved to the point that it would require only one small further investment—a tank welder—to enable BSC to make submarine pipelines.

## Decision

The factor governing the eventual decision whether or not to enter the market will be the availability of pipe as the raw material for the big-inch pipeline.

British Steel's plans for a new Teesside plate mill with a capacity of between 1m tonnes a year and 2m tonnes a year were shelved last year at the time of the halving of BSC's investment plants from £1bn a year to £500m a year. That mill was designed primarily to feed the big pipe mill.

One view within the corporation is that the plate could be made available from various BSC works in England and Scot-

land if the corporation really wants to get into the competitive international market of submarine pipelines.

British Steel's continued to show considerable demand in its attitudes towards the pipes and tubes market. For instance, it is increasing the range of carbon pipe products at Stanton Works, near Nottingham, in response to demand for high pressure pipe for gas and water distribution.

## Expansion

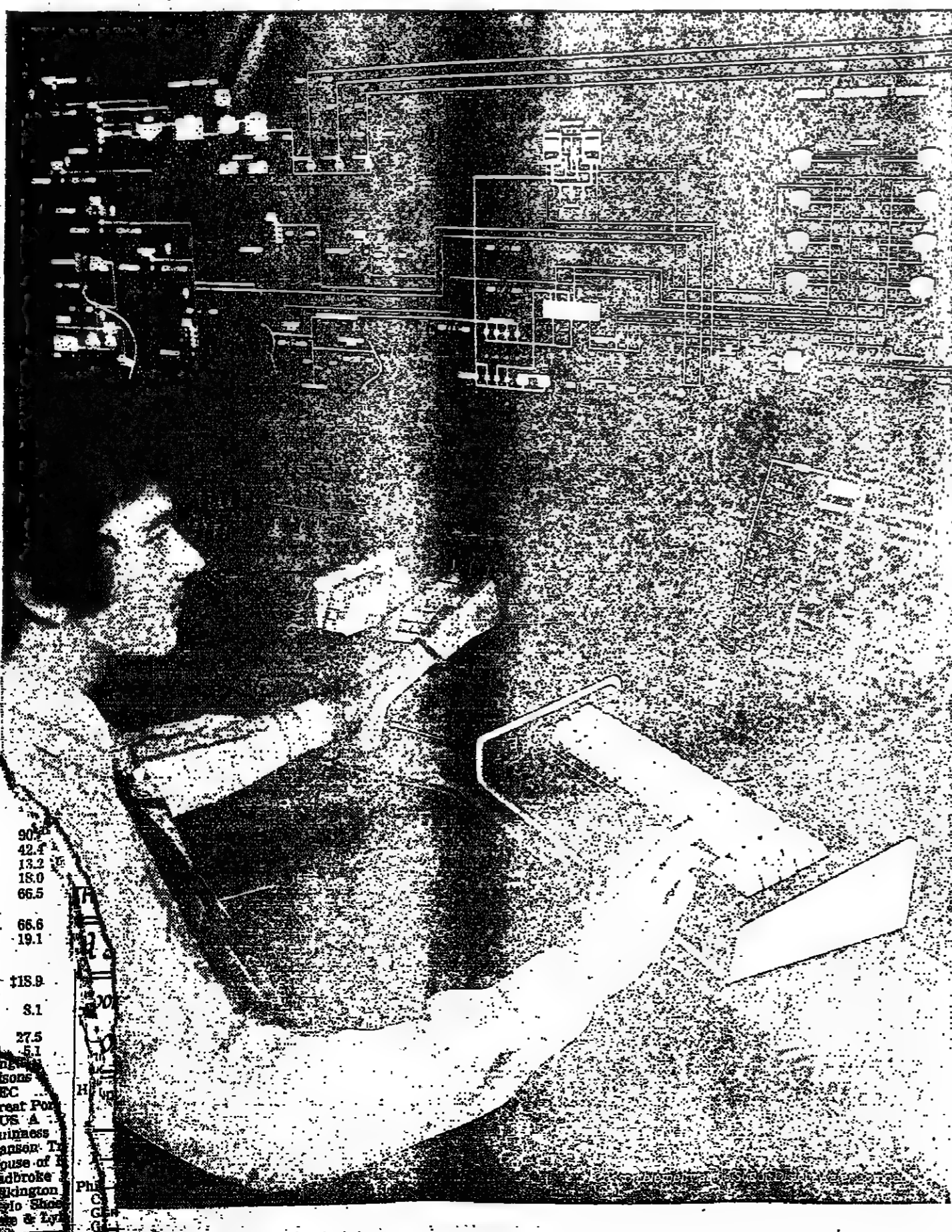
Like other iron and steel plants, a pipe mill is a big job, but it is also a big money job, to expand its facilities for making different types of pipe.

Pipe mills are being given attention by Shawcross and Lloyds Plastics, of Birmingham, which is part of the BSC Tubes Division. A new plastic pipe under the trade name Pexide, is now in production there as a cheaper alternative to copper. It is made from a specially formulated cross-linked polyethylene material which has abnormally good resistance to high temperatures.

In the private sector of British pipes and tubes capacity is being increased by the fast growth of the Natural Gas Wales plant at Tredegar, South Wales. Capacity is being doubled to 35,000 tonnes a year. Mr. Swain Paul, chairman, claims that his products are being selected by British market users instead of imports.

But imports remain probably the biggest single problem facing all European pipes and tubes producers. They still account for more than 10 per cent of EEC consumption.

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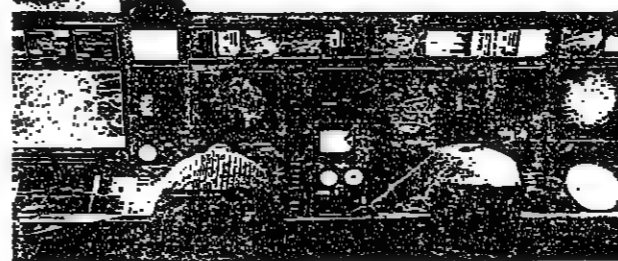
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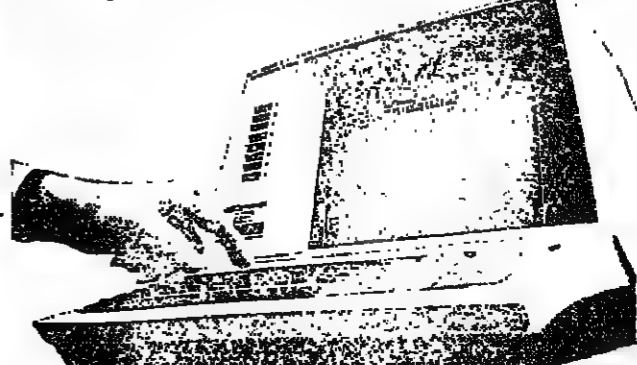
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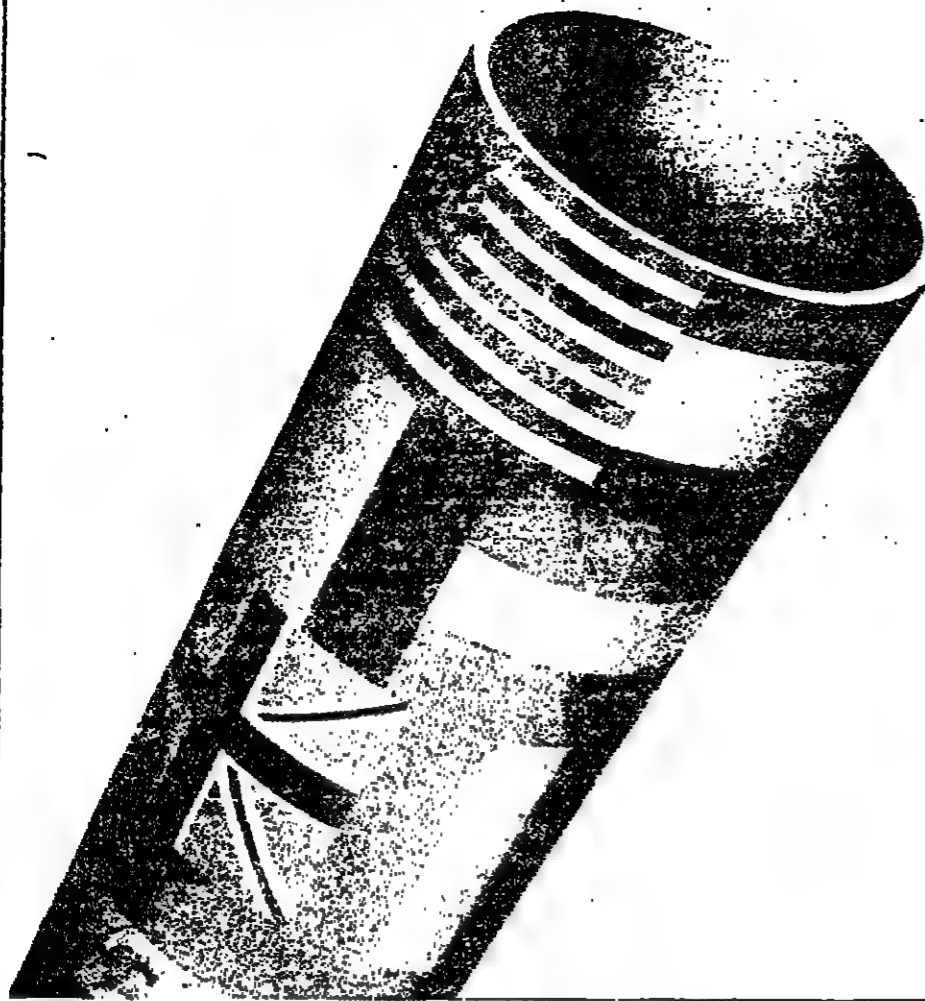
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## PIPES AND PIPELINES II

# UK producers meet changing demands

AS CHANGING demand and the cost of raw materials continually alter prospects for new developments across the vast range of pipes, pipelines and related equipment, British manufacturers are providing a flow of new ideas and products.

These range from the British Steel Corporation's major investment in facilities to produce welded steel tubes for use in the building and engineering industries, to the increasing use of plastics in an ever-widening range of products.

At the same time there have been startling innovations in offshore technology, where ICI has played a major part in providing polyethylene coating for pipelines, a technique perfected at an opportune time in view of the vast number of pipeline projects under way all over the world.

Looking first at British Steel activities, heavy investment is in train at Corby to take advantage of technical advances in the production of welded steel tubes.

The new plant will have an annual capacity of about 250,000 tonnes of rectangular and round structural hollow sections and other round tube categories. Together with an existing plant it will have a total capacity of about 500,000 tonnes a year.

Finished sizes will be produced by hot-stretch reducing from a basic hollow, made on the primary mill by cold forming from strip, and welding into tube by a high-frequency induction welding process. The thickness range from the new plant enables round tubes up to 12.7mm to be produced.

BSC's tubes division has also managed to gain additional profit out of ultrasonic testing equipment for seamless pipes, with a recent sale of such systems to Japan. The on-line system was developed at the BSC's Corby research centre and used at the Clydesdale works in Scotland.

The test head on the system involved a number of novel

ideas for which BSC has worldwide patent rights, and Ferro-bent, a Northampton precision engineering company, was subcontracted to work on the Japanese order.

Another development at the Stanton and Staveley Works, costing £18m, will put the corporation at a technical advantage in the production of large-diameter ductile, spun pipes ranging from 900mm to 1600mm and up to eight metres long. It will be capable of making 55,000 tonnes of pipe annually.

It will include in-line coating and cement mortar lining, with the finishing and coating line controlled by computer. Mechanical handling will be employed throughout and the finished pipes will be delivered automatically to the pipe stockroom.

Molten metal for the plant will come from the adjacent central melting plant via a new electric furnace of 100 tonnes capacity which will also act as a reservoir to improve the metal supply at Stanton to other consuming units.

In response to increasing demand from customers for high-quality carbon and alloy tube for power generation, the corporation's plant at Bromford has installed advanced desurfacing equipment which has proved successful in meeting worldwide quality requirements.

Among the many new techniques BSC is employing to improve product quality, are new practices adopted at Corby to improve the standard of steel cleanliness in the electric furnace. To monitor the success of various techniques, a new instrument, the Cambridge Instruments image analyser, has been installed. It is designed to make rapid automatic measurements of the dimensions of features in samples that can be viewed by microscope.

The microscope uses reflected, or transmitted light so that both polished samples of solids such

as iron, steel and coke, and dispersed samples such as dust, powders and fibres can be examined.

BSC has also been active in the development of plastic pipe for hot and cold water and central heating installations, through Stewarts and Lloyds Plastics of Hillingdon, part of the tubes division. Only by the use of cross-linked polyethylene (two kinds combined) was the company able to produce pipe which would stand up to the conditions.

The new pipe, marketed under the name Pexalek, is the result of 10 years' research and is suitable for constant working at 95 deg. C and intermittent temperatures of 125 deg. C.

Stewarts and Lloyds also manufactures the largest diameter polyethylene pipe made in Britain, which is being used to line gas mains which have seen long service. Nearly 3,000 metres of 400mm and 500mm pipe has been fed into existing mains in three different parts of the country.

Key and Kramers say that despite a cost premium for this type of coating, demand is rising steadily. In 1977 only 15 per cent of throughput was polyethylene coated, but this rose to 30 per cent last year.

The system is expected to be widely used in a range of European land pipelines now under construction or planned and will also be used in conjunction with a concrete layer underneath on the Italy-Algeria undersea gas pipeline.

Steel Mains of Australia has recently coated 33 kilometres of 114 mm diameter submarine pipe for Esso, shortly to be laid in the Bass Strait. The line is to carry natural gas from the Marlin Field to operate turbines on offshore platforms.

With little worldwide competition, ICI is in the fortunate position of being one of the few suppliers for a growing world market, although developing products and marketing it have not been easy tasks.

As with other new technology related to pipes and pipelines, it had first to be proved in a very exacting market before demand really took off. While it is essential for the industry as a whole to maintain R and D spending on new products, much depends on having the right product at the right time.

Plastic Coatings of Gullford also reports considerable success with its Duraguard fusion-bonded epoxy pipe coating process, particularly in its work for British Gas and in the North Sea. Materials for the process are purchased from International Paints and 3M of the United States, and the company expects its coating operations to double in volume in a year or so.

Lorne Barling

# Market shows few signs of growth

DESPITE WISHFUL thinking about UK market prospects, both pipe manufacturers and stockholders are generally agreed that there has been no recent improvement in demand; nor do they see any significant change in the near future.

The market remains very slack, with demand still around 40 per cent below the volume level of 1974. Foreign competitors appear to have maintained some of the inroads made at that time when domestic suppliers were unable to meet demand.

According to stockholders one of the main reasons for the continued recession is the lack of orders from the oil industry which as a result of conditions in the world oil market has delayed investment plans for refineries and related plants.

It is thought that until the UK formulates a more definitive energy policy, particularly relating to the use of North Sea oil resources, pipe demand in this sector will remain poor, with continued under-utilisation of existing refinery capacity.

Prices have remained extremely competitive and there has been some undercutting by European competitors, with Austria, Belgium and Italy providing products at well below average market prices.

It is felt that while the British Steel Corporation (BSC) has chosen to abide by the provisions of the Davignon plan on prices, other European steel producers have not, allowing Continental pipe and tube manufacturers a competitive margin on their raw materials which they have passed on to UK customers.

In addition to this attraction, many buyers feel that as a matter of prudence they ought to maintain more than one source of supply (usually BSC which holds 70-80 per cent of the UK market) as a means of retaining a bargaining position on both price and quality.

Export prospects for the UK are similarly bleak, with much of Europe suffering from the same energy-related problems. The comparatively recent strengthening of sterling has not helped, forcing exporters either to cut margins or risk losing price competitiveness.

The heating and ventilating and construction side of the tube and pipe market remains flat, with little change in the past year, and hopes for increased demand from the petrochemical industry for stainless steel products have so far been in vain.

Nevertheless, demand in this sector has been considerably better than average and, although it remains small in comparison with the overall market, special product sales last year

were reported to be increasing at the rate of between 7 and 10 per cent.

With the formerly booming market for pipe in North Sea development now reduced to little more than a trickle, BSC and other manufacturers now have few markets of real promise, given that expert markets other than in Western Europe are providing little encouragement.

But this somewhat discouraging outlook has not prevented one of the more enterprising newcomers to the field, Natural Gas Tubes (NGT), from going ahead with plans for a major expansion of its plant at Tredgar in South Wales.

Despite the fact that the company is in direct competition with BSC and indeed provoked a protest from members of the Iron and Steel Trades Union Conference at BSC's Corby plant when the expansion was announced, it remains an increasingly large BSC customer, buying sheet steel for tube making.

The existing mill at Tredgar was set up with considerable financial aid from the Department of Industry and the European Coal and Steel Community, and help from BSC, and has played an important role in employing steel workers in a depressed area.

The success of the company, founded by an Indian businessman, Mr. Swraj Paul, has been based on its ability to select a relatively small market area and concentrate on it. It has so far concentrated on the range from 60.3mm to 168.3mm gas and water pipes and square and rectangular hollow sections in the same range.

Under the development plan this range will be extended downwards to 15mm, and it is envisaged that by doing this the company can capture an important share of the market held mainly by imported products.

Output from the new mill, which was envisaged as a necessary part of the overall operation from its inception, is expected to be around 6,000 tonnes in the first year, rising slowly thereafter.

It is clear that when the market finally does begin to improve NGT will be in a position to supply a full range of products and have spare capacity to meet considerable demand.

Much of the NGT's success has

clearly been based on its ability to supply a UK produced alternative to imports, giving buyers perhaps greater security, and at least a second source of products.

The company's decision to make hollow section tubing follows its increasing use in the U.S. to replace sections and conventional tubes. It is being bought mainly for use in machinery construction, materials handling and framework for vehicles.

Although the company is producing a range of products which is small in tonnage terms (despite 100,000-tonnes-a-year capacity), it does not compare badly with British Steel's output of around 850,000 tonnes a year, considering the short time it has been in operation.

By keeping overheads down to a minimum, allowing flexibility in volume of output, NGT has proved that there is not only room for the existing private sector companies but for newcomers as well.

Lorne Barling

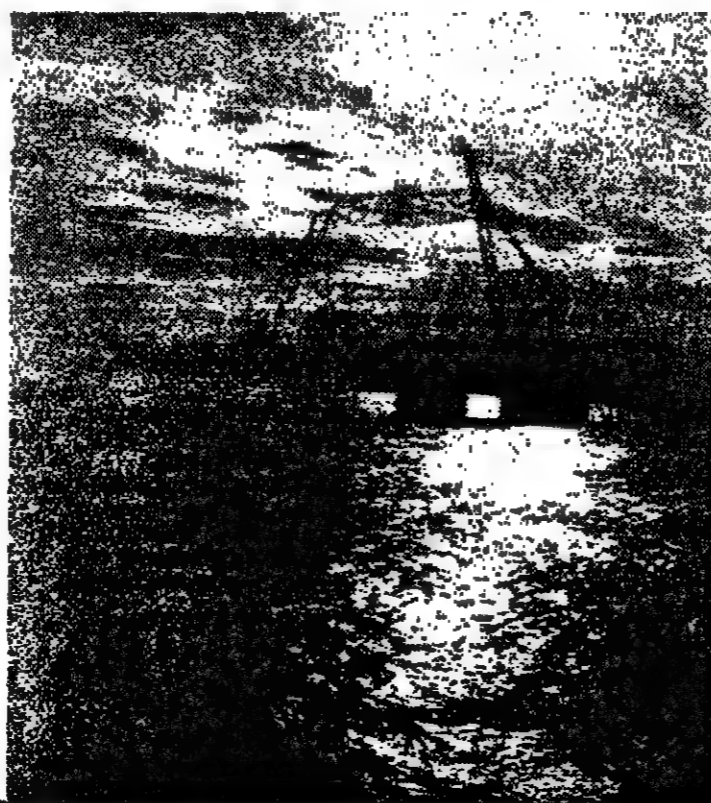
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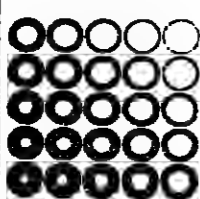


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## PIPES AND PIPELINES III

# New applications for plastic materials

AFTER A longish period of optimism about the price competitiveness of plastic pipes in UK and other markets, the recent oil price increases and the resulting volatile naphtha market have altered the picture considerably.

Some projections which were made as recently as March this year at the Brighton plastic pipes conference have been thrown out of step with reality, but as with previous raw materials crises, this is likely to delay rather than change the course of development.

In effect plastic pipe manufacturers have benefited since the 1973-74 oil crisis from a fall in the real cost of raw materials, allowing them to make considerable inroads into markets where labour and other costs were more important.

In conjunction with technical developments, plastic pipe sales have developed steadily in domestic uses, gas distribution systems, water distribution, industrial installations and other areas.

In the UK British Gas is replacing gas pipes with medium density polyethylene (MDPE) at the rate of 2,500 km a year. Nearly 30,000 km of MDPE in diameters ranging from 30 mm to 180 mm have now been installed, providing improved resistance to corrosion and reducing joint leakage problems.

## Active

British Gas has also been active in the larger diameter range, fitting both high and medium density PE pipes up to 500 mm in diameter inside iron mains which would otherwise have had to be completely replaced.

The proportion of replacement pipes now in plastic has risen to around 80 per cent, while around 85 per cent of service pipes—those actually carrying gas to houses or other premises—is around 85 per cent.

There is little doubt that the trend in this direction will remain strong, as it has in European countries and the U.S., and that inevitable price increases will not have any great impact on demand for pipe of this kind.

Plastic pipe has also penetrated almost every other area of domestic use with such applications as underground drainage, rainwater systems, soil and vent pipes and many others, but in a few remaining applications there has been much hesitation.

These are for domestic hot and cold water distribution and the most demanding of all uses, central heating. Considerable progress has been made recently in developing materials which will withstand the rigours of high temperatures, but because of doubts about the life of the product it may be some time before it is widely accepted.

Despite the generally bright outlook for plastic pipes, Mr. P. F. McNally of Phillips Petroleum Chemicals warned at the Brighton conference in March that manufacturers could not expect the very rapid rate of growth achieved in the past to continue for ever. He pointed out that while there were advantages in plastics such as easier handling, transportation and simpler jointing, resistance to chemicals and normal stresses, there were some notable disadvantages. These included poor weathering resistance, a tendency towards brittle fractures under adverse conditions and the basic soft nature of thermoplastics in general. These limitations, unless resolved by the introduction of new techniques, could be one

of the restrictions which would hinder further growth.

In recent years Western European demand for PVC for the manufacture of rigid pipe and fittings has grown by an average of 12.7 per cent a year, with by far the strongest growth of nearly 30 per cent coming from France, with the UK recording only 16.2 per cent.

It is estimated that the building and construction industries directly or indirectly use more than 50 per cent of PVC consumption, of which one of the major components is pipe, conduit and fittings. This indicates how dependent the pipe industry is on economic or political influences on building.

Principal applications are for water mains, rainwater and sewage systems, and growth is still likely to occur in these market areas, thanks mainly to increasing market penetration, particularly for cast iron replacement.

Polyethylene, perhaps surprisingly, makes up a much smaller proportion of the thermoplastics pipe market than PVC. The application area of these products is more fragmented than that of PVC, but probably has more potential because of extrusion facilities which enable HDPE to be produced in larger diameters.

West Germany, it is pointed out, has become the dominant thermoplastics pipe and fittings producer, accounting for a quarter of the total produced in Western Europe. A major factor in this growth has been the use of PVC in the water supply network, where some 60 per cent of installations are in plastics materials. PVC has been used in the UK national water supply network since 1958 and in Holland some 85 per cent of the total plastics pipe in the potable water network is in PVC.

Mr. McNally, in his summing

up of the European market, suggests that manufacturers are unlikely to see the spectacular growth of the 1970-73 period repeated. Since then, he says, the growth rate has been drastically reduced by several major factors.

These are the levelling off of demand as saturation point is neared, substantial price increases for raw materials and a general malaise in the economies of Western European countries. Public purchasing authorities have been restrained from spending excessively, while both the public and private building sectors have suffered a long period of recession in most countries, causing a serious slackening in demand for pipe-work.

## Influence

A final recessionary influence is seen in the general decline in the export market within Europe, where formerly deficient countries have built up their own domestic production capacity and themselves entered the export market.

Promising areas for future sales are seen as solar energy systems, involving the use of plasticised PVC, low density polyethylene and polypropylene pipe-work, as well as cold plumbing which would generate sales of approximately 12-3 kg of pipe-work per household.

In the context of future demand for large diameter pipe, new developments in pipeline transportation by hydraulics or pneumatics also look good. Considerable research and development is now taking place to develop pressurised slurry lines for coal transport, iron ore, clay and limestone.

The advantages of cross-linked polyethylene in domestic water systems have been established in tests carried out since 1974, and

results predict a working life of 50 years at the low end of the temperature range, but only four years at the top end.

New materials are continually being developed, however, and it is likely that this performance will be considerably improved on, as will have to be the case if it is to be marketed successfully.

The advantages of the product are considerable, in that corrosion resistance is far superior to present systems, maintenance costs are lower, it is more flexible and weighs less and is likely to remain very competitive in price.

Many of these benefits apply equally to the use of plastic pipes in industry and their range of application is increasingly wide. But even closer attention must be paid in this area to load parameters of pressure, temperature and service life.

Pipework constructed in glass-fibre composites is used in many process industries. These have shown their highest potential in the chemical industry where they have performed well in terms of structural reliance and resistance to chemicals.

In the U.S. the power industry is seen as an important growth area for GRP pipe-work, due mainly to its life cycle and performance. In this area corrosion resistance is of prime importance and apart from meeting this requirement, GRP also provides maintenance-free service and a greater flow rate.

Overall, demand for plastic pipe is likely to suffer a temporary setback as a result of increasing raw material costs, but since these costs will eventually, and less directly, affect the cost of competing products because of higher energy prices, the long-term prospects for plastics are unlikely to change significantly.

L.B.

# USSR plans major chemical pipeline

ONE OF the world's biggest chemical pipeline projects now being undertaken in the USSR where attempts are being made to lay the foundations of the kind of ethylene grid which the European industry already enjoys.

Ethylene—a major raw material for the production of plastics—is the chemical most frequently carried by pipeline rather than by road, rail or ship. The reason is that it is bulky—the annual capacity of a modern ethylene plant tends to be in the region of 500,000 tonnes—while at the same time safety considerations would make its transportation by road or rail both undesirable and wildly expensive.

An ethylene pipeline grid also makes sense in terms of the market place. Supply and demand are rarely balanced—as the chemical industry is uncomfortably aware.

At present, a long period of tight supply and rocketing prices caused largely by the Iranian revolution and the oil crisis that has come in its wake. But an ethylene grid makes it possible for producers and consumers to co-operate to some extent and so alleviate the worst consequences of a supply-demand imbalance.

Another advantage of an ethylene grid system is that producers can help each other when one of them has a plant failure. In Europe, for example, a company facing a temporary shutdown for technical reasons can buy in ethylene from another producer and pipe it to consuming plants via the Aethylen-Rohrleitungs-Gesellschaft—ARG—line.

The ARG company was set up jointly by Veba Chemie, Huls, BP, Bayer, Erdolchemie and DSM. Its ethylene pipeline runs from Marl, in Germany, down to Cologne and then across Belgium, via Tensenderlo to Antwerp. It links in with other lines so that the entire grid reaches up to Moerdijk and Rotterdam and down to Frankfurt and Ludwigshafen.

There is another ethylene line in Southern France and there are also a number of lines in the UK—most of them in the North which is perhaps why the UK lines have never been linked up with the Continental grid although this would be technically feasible.

The UK pipeline system connects the huge chemicals complex at Wilton on Teesside with Grangemouth in Scotland, with the Shell plants at Carrington and with Runcorn in Cheshire. The only major chemical sites

not connected to the British pipeline system are the BP Chemicals plants at Baglan Bay in Wales and the Esso chemicals plants at Fawley in Hampshire.

Ethylene is not the only chemical carried by pipeline though it is by far the most important one. Ammonia, used in the making of fertilisers, is also piped—sometimes over great distances. The U.S. has an ammonia line that goes from the Gulf of Mexico up to the cornbelt and in the USSR an ammonia line is being built from Odessa on the Black Sea to Togliatti on the River Volga.

At major chemical sites pipelines are also used to carry a raw material chemical from the plant where it is produced to a consuming plant next door. At Wilton, for example, it is possible to see groups of pipelines, sometimes four or five of them, all carrying different chemicals. But they only cover very short distances.

## Length

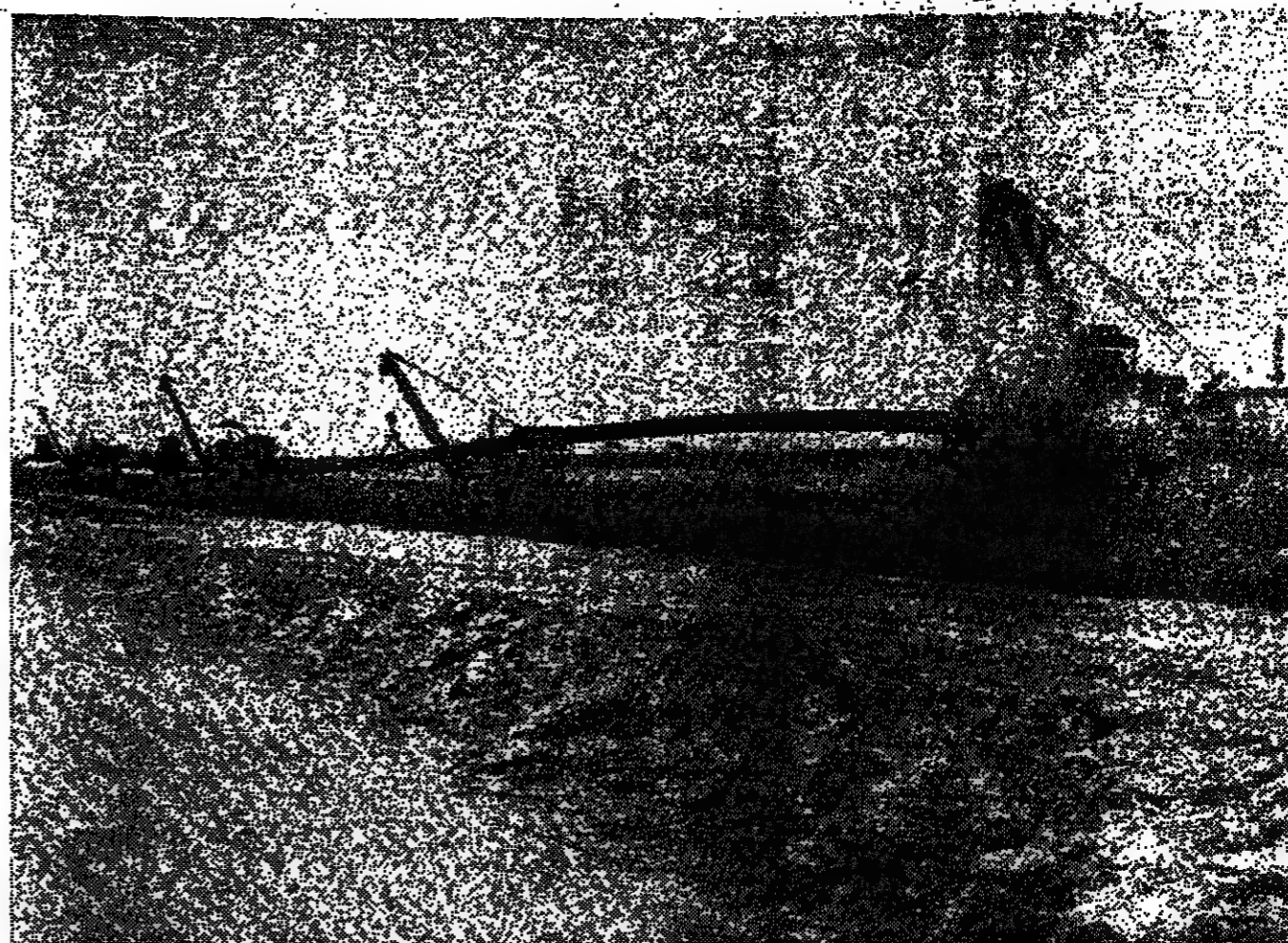
There are some slightly longer propylene pipelines and the idea of setting up a European propylene pipeline grid, similar to the present ethylene grid, has been mooted. But in the main propylene—used in the production of plastics—is consumed on the sites where it is produced. And when it does have to be carried over a long distance it is moved by rail tank car because, unlike ethylene, it does not have to be refrigerated.

The main argument against carrying chemicals by pipeline is the cost of construction. Ethylene pipelines are usually between 8 in. and 12 in. in diameter and it is estimated that they cost something in the region of £10,000 per mile per inch of diameter. A 10 in. line could therefore be expected to cost around £100,000 a mile.

The pipelines are normally made of steel and they do not require any special protective coating inside because ethylene—which goes through the line as a heavy gas—is non-corrosive. The lines are usually laid four or five feet below ground level.

In Britain, every effort is made to ensure that ethylene pipelines run under good farmland because there is then less chance of their being damaged by excavation. If there should be a leak—ethylene is a heavy gas and therefore does not disperse easily—there is also less chance of people being hurt if the line is on agricultural land. The most common cause of accidents involving ethylene pipelines is people digging down—unaware of the existence of a line—and striking and damaging the pipework. In the UK, therefore, all chemical pipelines have to be clearly marked on the surface. As yet

CONTINUED ON NEXT PAGE



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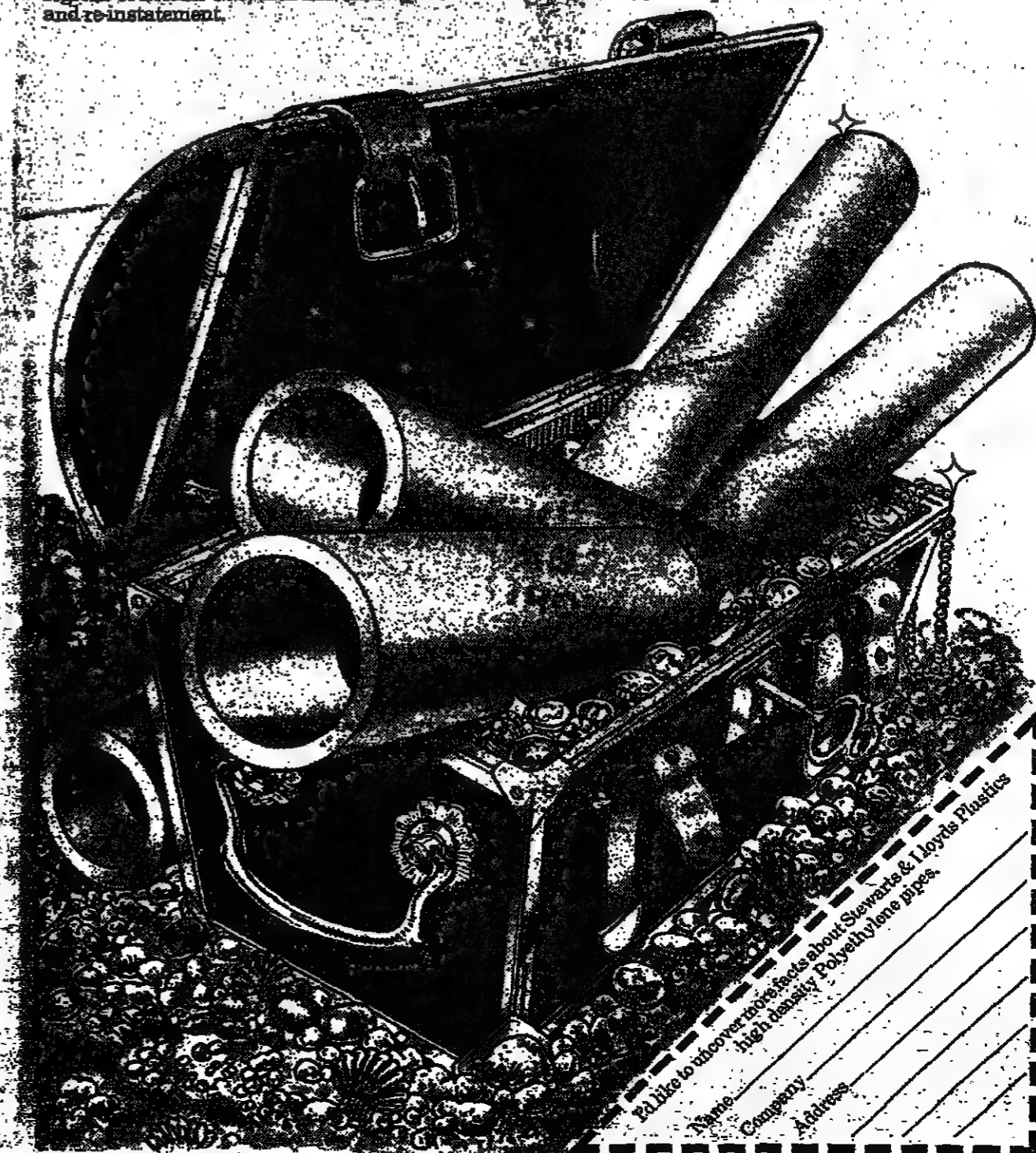
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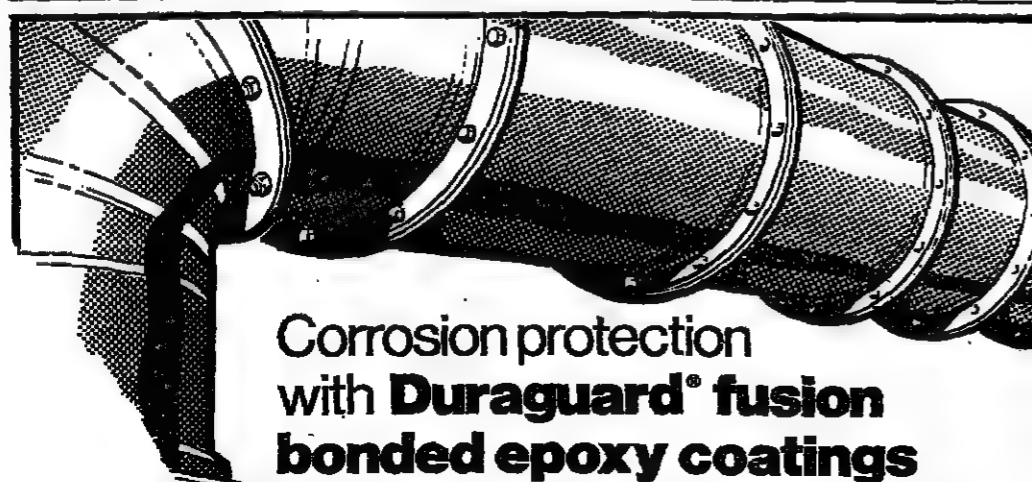
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## PIPES AND PIPELINES IV

# Links with offshore systems

FOR MUCH of the 1970s the North Sea has provided the most important area for new pipeline work in the whole of Europe. All the major fields in the UK sector of the North Sea are now linked to the shore by pipeline, however, and the Government is turning its attention to ensuring that as many as possible of the new generation of smaller fields are also linked into the offshore pipeline system.

Several of the more recent fields to be considered for development are not large enough alone to justify a pipeline link to the coast. But operators are being encouraged by the Department of Energy to consider the construction of links to the major existing oil trunklines.

Pipelines are already in place to serve the most prolific North Sea finds. Oil has been flowing through the 111-mile pipeline from British Petroleum's Forties Field since 1975 to Cruden Bay to the north of Aberdeen, and a year later the 124-mile line from the Occidental Group's Piper Field to the Orkney Islands was completed.

The most complex system of pipelines in the North Sea, however, is still being developed to serve the group of major oil discoveries made in the East Shetlands basin. Two major trunk-lines have already been

built to join the Brent and Ninian systems to the Sullom Voe terminal in the Shetland Islands, and the first crude oil began to flow to the islands in the late autumn, last year.

Eventually, the Sullom Voe terminal will be handling up to 1.4m barrels of crude oil a day, equivalent to more than two-thirds of the UK's current crude oil consumption. It is already receiving crude from the Ninian Field, the third largest oil discovery in the UK sector of the North Sea, and later this year oil will begin to flow to Sullom Voe from the Brent Field, the biggest UK oil discovery.

The existence of the two large 36 in diameter pipelines, the Brent and Ninian systems, has already meant that several small fields have been tied into pipelines, when considered in isolation they would have been hopelessly uneconomic.

The main Brent system trunk-line actually connects the Shell/Esso Cormorant Field to Sullom Voe, through a 93-mile pipeline. The Cormorant platform is the main pump station for the system and is the receiving point for oil from a number of other fields. The first of the East Shetland fields to come into production was the Thistle Field, operated by the British National Oil Corporation, which came on stream about 12 months ago.

In the early months of production, the crude oil was loaded offshore into tankers through a mooring buoy anchored to the seabed. By the late autumn, however, the Thistle Field and Shell/Esso's Dunlin Field had been tied into the Cormorant platform and oil began to flow direct to the Shetland Islands. The Thistle Field will have the flexibility of falling back on its offshore loading system, should problems

develop either with the pipeline or at the terminal. The flexibility worked in reverse earlier this year, when the offshore loading buoy was found to have been so badly damaged that it had to be removed and towed to Holland for emergency repairs. The repair work is likely to cost £3m to £5m but the partners in the field have decided to go ahead with the job as an insurance against possible interruption to production through the pipeline.

Some minor damage has already been discovered in the line which links the Thistle platform to the Dunlin Field. It is not serious enough to stop production, but there appears to be a minor obstruction in the line that could have been caused either by a slight buckle or dent. If, at a later stage, a section of the pipeline has to be cut out and replaced, it should be possible to maintain crude output through the offshore loading buoy.

## Progress

The Brent System is already taking crude from the Thistle and Dunlin Fields and later this year production should also begin by pipeline from the Brent and Cormorant Fields. Next year, the first production should flow from the Marchioness Field into the line, followed in the early 1980s by the North Cormorant Field, which was approved for development by the Department of Energy, earlier this year.

The Ninian trunk-line to Sullom Voe is likely to be handling a smaller throughput in the 1980s. It was first brought into use in the autumn for the small Heather Field, but at the end of December production also began from the Ninian

Field itself, which is expected to have an output by 1981 of 17.3m tonnes a year. This will be added to in the early 1980s by British Petroleum's Magnus Field, the most northerly discovery in the UK sector of the North Sea, which is expected to start production in 1983.

Work on the Magnus pipeline will begin next year with the pipe being rolled and coated for protection. It should be laid during 1981 and completed in 1982.

For fields under development further south in the North Sea, the obvious systems with which to connect are the Piper or Forties pipelines.

Texaco, which is well advanced with the development of its Tartan Field—the 17,000-tonnes steel platform jacket was successfully installed in 505 ft of water earlier this month—has reached agreement in principle with the Occidental group to use its Piper/Clymore crude pipeline to link Tartan with the Orkney Islands. The deal has involved the construction of a 17-mile feeder pipeline from the Tartan field to the Clymore platform.

The Government, however, faces something of a dilemma over insisting on fields being developed with a pipeline. It is also keen to promote a steady flow of orders for the UK offshore supply industry and some North Sea operators have suggested that field developments could be held up for many months or even postponed if the Government insists on a pipeline.

Phillips Petroleum's Maureen Field is an obvious example of this dilemma. Earlier this year, the Government reluctantly allowed this development to go ahead with a system of offshore loading, and the over-riding

consideration appeared to be the need to attract more work for the platform building industry in Scotland.

Overseas, a major onshore crude oil pipeline project has recently been abandoned in the U.S. by BP subsidiary, Sohio. The scheme to build a line from California to the mid-West to handle Alaskan crude oil has been under consideration for more than five years.

Sohio has been pushing the scheme vigorously, and recently received support from the Federal Government for the project. But it has run into insurmountable environmental

opposition and last month Sohio finally decided that the economics of the project were now "marginal at best" and that the whole scheme should be abandoned.

However, in Saudi Arabia, an even larger project is under way, involving the construction of a 747-mile crude oil pipeline across the Arabian peninsula from Abqaiq, in the east on the Gulf to Yanbu, in the west, on the Red Sea. It is scheduled for completion in 1981.

Kevin Done  
Energy Correspondent

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# Key questions on gas production

THE REPERCUSSIONS of the revolution in Iran and the dramatic reduction in that country's crude oil production have been seen in every national economy in the world. Rather less obvious, however, has been the potential effect of the turmoil in Iran on the international gas industry.

For nearly 10 years Iran has been busily engaged in finding export markets for its associated gas production. The major outlets were to have been two massive pipelines to the USSR, the second involving a complex and imaginative swap deal in which gas from Iran would be transmitted into southern Russia, and in return the Russians would export gas to Western Europe.

Deliveries of gas through the Iranians' first international gas trunkline, Igat-1, began to build up in the early 1970s to the target of 900m cubic ft a day. During the early part of this year the sudden drop in Iran's crude oil production—exports ceased entirely for 10 weeks from the end of December—meant that the transmission of gas to the Soviet Union was also temporarily halted.

The halting of gas deliveries caused severe energy shortages in southern Russia, and the level of future supplies will depend critically on how much crude oil the new regime in Iran decides to export. But the effects of the revolution will be felt most keenly in the construction work that was in progress on Iran's second international gas trunkline, Igat-2. The \$3bn pipeline was about one-third complete, but abandonment of the project is now virtually certain.

Mr. Hassan Nazih, chairman of the National Iranian Oil Company, said earlier this

month that the 1,420 km large diameter pipeline was "90 per cent certain to be cancelled."

Under a three-cornered agreement reached in 1975 the Soviet Union was to receive over 13bn cubic metres of natural gas a year from Iran through Igat-2. Russia was then to supply 11bn cubic metres a year of Soviet and Iranian gas to West Germany, Austria and France beginning in the mid-1980s. West Germany was expected to take 50 per cent of the gas, France a third and Austria 16.5 per cent.

It is still far from clear how the probable cancellation of Igat-2 will effect supplies of gas to Western Europe, but at the very least it places an important question over some of the most ambitious gas pipeline projects now under construction.

Herr Klaus Liesen, the chairman of Ruhrgas, West Germany's largest natural gas distributor, stressed earlier this month the importance of the three-cornered supply agreement. It was of great economic significance to both the purchasers of the gas and the suppliers. He did not feel that the cancellation of Igat-2 would necessarily have a serious effect on German gas supplies, however, as the Soviet-German agreement was not in immediate jeopardy.

German officials suggest that the USSR would probably be unwilling to forgo the substantial hard currency payments involved in the gas contract. If the Soviet-European agreement is maintained, however, the USSR will have to make considerable internal sacrifices or step up its own production.

Soviet gas output is rising at about 9 per cent a year and will total more than 400bn cubic metres in 1979. But the

Caucasus is short of energy because output of gas and oil is stagnant or even declining there. The region's difficulties became clear during last winter, when supplies through Iran's Igat-1 pipeline were stopped. This line normally delivers 10bn cubic metres a year to the Caucasus. There was widespread suffering among the population and industry was badly affected.

If Igat-2 is cancelled it will mean that the Russians will have to divert some supplies to the Caucasus which will mean in turn some disruption of supplies to the band of chemical plants that stretches from Odessa to Togliatti.

On the other side of the globe, another major gas pipeline construction project is also running into problems. In the U.S. and Canada there are recurring doubts about the timing of the scheme to bring Alaskan gas down through Western Canada to markets ranging from California to Illinois. Here, the major difficulty concerns finance for a project that is estimated to cost more than \$10bn. A 4,800-mile pipeline would be needed to bring supplies of associated gas from the massive Prudhoe Bay field in Alaska.

Work is progressing rapidly, however, on one of the world's major submarine pipelines, which is being built to link Italy to the gas-producing countries of North Africa. The Trans-Mediterranean gas pipeline is being laid from Tunisia to Sicily.

By the early 1980s a natural gas transmission system should be in place in Europe which will link the major consuming countries of the continent either by pipeline or liquefied natural gas terminals with areas which boast some 70 per cent of the entire world's natural gas reserves.

The north-south system of the European gas grid was finished in 1977, when deliveries of North Sea gas started from the Norwegian sector.

Kevin Done  
Energy Correspondent

## USSR pipeline

CONTINUED FROM PREVIOUS PAGE

there have been no serious accidents with ethylene pipelines in Britain although the chemical is potentially explosive.

Ethylene lines are remotely controlled and in Britain the necessary telemetry lines are provided by the Post Office. Usually a single line is dedicated to each pipeline—dedicated lines have high integrity and are extremely reliable. It is also possible to control pipeline operations by radio and this method is sometimes used on the Continent.

Pressure is the most important factor in ensuring the smooth and efficient functioning of an ethylene pipeline. Ethylene is normally pushed through a line at between 900 and 1,200 pounds per square inch. The critical pressure is about 900 psi. If the pressure falls below this, a two-phase flow may develop.

A two-phase flow means that some of the ethylene may be slugs of liquid in the line. This not only impairs the flow but the mixture of gas and liquid can cause what one expert describes as "a hell of a bang" at

the pipeline terminal. On a long pipeline the pressure has to be boosted by compressors. Normally, pressure would have to be boosted after a maximum of 400 kilometres—but the distance depends on the diameter of the line.

A big ethylene grid, like that of ARG, also has monitoring equipment at each feeder point which ensures that all the ethylene entering the grid is of a certain quality.

Because of the size of the European grid—much of it built during the 1970s—there is little prospect of any more major chemical pipelines being constructed in Western Europe in the short or medium-term. But there is no similar grid in the USSR as yet. One line has been built in the Tartar Republic which runs from Kazan, some 600 miles east of Moscow to the salt caverns at Salavat, where the ethylene can be stored. It was completed in 1977. Another in Siberia is now being constructed from Bakarsk to Zima, near Lake Baikal.

Sue Cameron

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Lift-off soon  
for COMMET

BY HAZEL DUFFY

WHEN it comes to comparisons with Europe, Britain seems to enjoy its little idiosyncrasies. The mechanical engineering industry is just one. The problem is how to represent an industry which, more than most, is fragmented into many smaller industries. In the rest of western Europe, the individual trade associations have managed to federate themselves into a single representative body at the national level, which in turn is affiliated to Orgalime, the supra-national federation bringing together the industry in 14 European countries.

The British mechanical engineering industry has tried to do the same, but the very number of trade associations in the industry—no less than 250—has made it a difficult task. At least three previous efforts have collapsed, (the last in 1976 when Brimech folded) but later this month another attempt will be made. The body will be called COMMET—Council of Mechanical and Metal Trades.

Orgalime (Organisme de Liaison des Industries Metalliques Europeennes) is a federation of the engineering and metalworking trade bodies in the nine EEC countries and five EFTA countries. Both the mechanical and electrical engineering industries are represented—the British electrical manufacturers are members through their trade association BEAMA.

Orgalime's function is to represent the industry in a European context, and to provide liaison between the various national bodies. It does this on economic, legal, technical and other matters. For example, it can provide members with guides on drawing up international consortium agreements, model forms of patent licence agreements with a foreign company, etc. It finds that more than 90 per cent of its work is concerned with what is happening at the European Commission and other Common Market bodies.

Orgalime's foundations date back to the immediate postwar period, when a number of engineering trade associations in various European countries organised a series of international congresses. But its main formative period was during the period when the ECSC, EEC and EFTA were set up. In 1960 the congresses were brought together within Orgalime and in 1963 the office was moved from Paris to Brussels. It has successfully avoided joining the league of blooming bureaucracies in Brussels by sticking to the maxim that it is there to make the member associations do the work themselves. The permanent structure consists of the Secretary General—Trevor Gay—plus an assistant, secretarial staff and translators (everything is put out in English and French, and sometimes German). It has an executive committee consisting of the directors of member associations, which elects a president every two years. He is currently Bernardo Lips from the Dutch organisation.

Orgalime could hardly claim the name of a federation if it did not have statutes and voting procedures, but sensibly these are avoided as far as possible. Representatives of 25,000 firms (albeit through their trade associations for most of the time) inevitably bring differing viewpoints. Liaison committees for the electrical and mechanical sectors have been set up over the past year to try to iron out some of the differences before they get to the stage of a split view, but it is realised that some go too deep for this remedy. The issue of the access that should be allowed third countries in bring-



ing manufactured goods into the EEC nearly always ends up with a split between those companies who have manufacturing facilities in, for example, the Far East, and those that do not.

Likewise, the whole issue of non-tariff barriers in trade leads to some associations taking a liberal stance, while others whose industries are suffering more find it impossible to share that view.

The EEC's proposed directive on product liability is a good example of the need for the engineering industry to put pressure on the Commission. In this event, the opposition to the proposals from Orgalime members was united. Other topics which Orgalime has found itself able to support in the past year include the GATT negotiations, although there were reservations from some members about the selected safeguard clause.

However much Orgalime's members might strive to be good Europeans, complaints are heard sometimes that one EEC country is "employing unfair tactics to the detriment of the industry elsewhere in the Community". But Orgalime says it would never take a complaint by one member country against another to the Commission. Instead, it hopes to "neutralise the squabbles before they get out of hand. Mr. Gay says a frequent complaint is that particular countries are offering better export credit guarantees than others.

"We went into a lot of detail on this particular complaint, and distributed widely the results of our research. It often helps to put this sort of information down on paper, rather than have a group of people sitting round a table who only have their own view of the problem." If a member association feels that it still has a complaint, then it must take the issue to the Commission on its own.

One thorny problem that has not yet been fully thrashed out concerns Spain. Many of the associations, both from the EEC and EFTA, are opposed to the low-tariff agreement that Spain has with the EEC, and accuse Spain of erecting non-tariff barriers against their industries. Spain's eventual accession to the EEC is also seen as a threat to parts of the engineering industry, because it is a low-cost competitor. The representation of the EFTA countries on Orgalime is seen as very helpful. The European Commission is anxious to hear the EFTA view as well as that of EEC members, while EFTA members are equally keen to be kept up to date on what is happening in Brussels. The influence of Brussels in trade and industry is growing all the time, both as a representative force in external relations and over the laws and climate of industry within the Community. On matters of international codes of conduct, for example in relation to South Africa, multi-nationals, or anti-corruption, the Commission acts increasingly on behalf of all the EEC countries, while on matters such as dumping, it is a more powerful representative of industry than individual governments. The British mechanical engineering industry, which has not been a member of Orgalime since 1976, would seem to be getting back just in time.

With tighter controls on the horizon for many potentially toxic substances, David Fishlock looks at role the of a medical science unit recently set up to identify new health risks.

## Toxic byways in Dr. Douglas's parish

"INJURY IS less likely inside a chemical factory than outside," ICI was claiming last month. While this may be so, there are some kinds of illness which you are much more likely to contract inside than outside the chemical and other related industries. For instance, there are believed to be about 100 people in Britain suffering from chloracne, the particularly unsightly form of black-pimpled acne which afflicted the people of Seveso in Italy after an accident at a Hoffmann-La Roche factory in 1976. This company has paid out about \$11.8m in damages to people affected by the escape of toxic gas. The British victims picked up the chlorine through exposure to certain chlorinated chemicals—or impurities in these chemicals—in the chemical processing industry.

To take another example, the people at greatest risk from lead poisoning in Britain today are demolition workers. They inhale fumes from lead paint when cutting up old steelwork with oxy-acetylene torches.

Lead poisoning was the first "industrial disease" to be made notifiable in Britain, as long ago as 1890. Ironically, those Acts which strictly control the risks of lead poisoning in the processing industries do not extend at present to demolition sites.

Within a few months, however, the government is likely to introduce tighter controls on many potentially toxic substances in industry. In anticipation of controls expected to embargo dozens of carcinogenic (cancer-causing) chemicals, and perhaps a couple of hundred substances known to cause industrial allergies, the Health and Safety Executive has set up a new medical science unit.

The new unit, of about a score of professional staff, is headed by Dr. David Douglas, 40, a medical doctor and a deputy director of medical services of the agency. His job is to weigh all the data he can glean on the health risk of any substance used at work, and advise the Health and Safety Executive where trouble may lurk. His remit includes chemicals, dusts, noise and vibration—but not radiation of any kind, which remains the purview of the National Radiological Protection Board.

But radiation and the way it is regulated in British industry is to some extent a model the regulators wish they could conveniently apply to a host of other substances carrying a health risk, not least to other carcinogens. Radiation workers—whether at a nuclear factory or working with radiation in hospitals or on a construction site—are required by law always to wear a personal dosimeter to record how much radiation they are receiving. The latest version of this dosimeter, introduced in 1977, and used by more than 5,000 radiation workers, is automatically analysed every quarter. Its data is filed on computer against the worker's national insurance number. The intention is that these records should be kept for at least 30 years. Any hint that accumulated low doses of radiation may be having an adverse effect on health, and the medical scientists can return to a complete and dependable body of data to see if standards need to be tightened.

## Hazard

Dr. Douglas's job is to judge how far this very stringent form of control over an industrial hazard can be—indeed, needs to be—extended to chemicals, fumes, dusts, etc. For example, does the risk in industry from cadmium poisoning justify regular sampling of the urine of workers in the refining, electroplating, ceramic and other industries? The technology to detect a rising level of cadmium before it has any biological effect on the worker is certainly available in this country.

Toxic metals, the first of three broad categories of industrial risk in Dr. Douglas's parish, are the easiest problem. There is no toxic metal used in industry, lead, cadmium, mercury, antimony, arsenic, etc., which cannot be put under tight and constant surveillance if this can be justified. But there is no toxic metal from which a large workforce is at risk in Britain today, says Douglas. Under the new regulations, workers are likely to be taken off work with such metals as mercury or cadmium when urine contamination levels exceed a certain figure, just as they are today when radiation

or lead dosage exceeds fixed limits.

More difficult to place under strict surveillance, says Douglas, is the second category of toxic substance, the occupational carcinogens. A carcinogen is defined as any substance capable of producing an excess of cancers in man. The point is important because animal models can sometimes gravely distort the evidence. For example, testing industrial fumes for carcinogenicity on a rat can be quite misleading because aerosol droplets may accumulate high up in its lungs, whereas in man they spread more thinly and harmlessly through the much wider tracts.

"We've got to be flexible because techniques for testing will change and the relevance to man will vary with the test," says Dr. Douglas. But how, for the purpose of protecting the worker, do you draft regulations saying: "We're leaving this open and flexible." The subject is one the Chemical Industries Association has also been mulling over, and there have been discussions with the new unit.

The Health and Safety Executive is thinking in terms of "dozens not hundreds" of industrial carcinogens known to warrant close surveillance at present. Once it has drawn up a schedule of known carcinogens, however, it should be relatively easy to add substances, believes Dr. Douglas. His problem is that for most known carcinogens there is no biological test they can recommend at present to say whether a worker is accumulating a worrisome amount of the chemical. Even where a carcinogen can be assayed accurately—as with benzene in blood—the measurement cannot yet be correlated with cancer risk.

Still more bewildering to the scientists is the third broad category of toxic substance, the chemical sensitising agents. "Literally hundreds of substances," says Douglas, are known to cause occupational asthma, for instance. Moreover, once a person has been "sensitised" to an agent, he will forever react to traces of it. "It's a major cause of concern." Occupational allergies are rarely killers—many responses are very mild—but asthma can be a serious and disabling illness and can sometimes kill.



Dr. David Douglas assessing how stringent controls must be on industrial hazards.

And virtually any organic chemical has the potential for provoking an allergic response in some people. Over 200 agents are documented already.

For Douglas's unit there are big problems at every level: problems in detecting the sensitising agent, problems in how to treat people affected, problems in how to control the agents.

Already, however, he is looking beyond these recognised problems to ask questions in

areas where problems have not yet become apparent. The pharmaceutical industry, for example, knows it has problems with occupational allergies. It recognised long ago that it was sensitising some workers to penicillin and they were responding with massive reactions when they needed the drug themselves.

Now Dr. Douglas has begun to ask questions about other risks to which it may be exposing workforces through protracted exposure to very low

levels of potent drugs during manufacture. Oral contraceptives and steroids, for instance, can have significant metabolic effects at low levels over long periods. One of the more evident is the characteristic "moon face" of people on long-term treatment.

Dr. Douglas has freedom to commission research from the large research division of the Health and Safety Executive. One study he is about to commission is of the effect—if any—of low-level exposure to all chemical agents on reproduction: not only teratogenic effects, that is on the unborn baby, but any effects on the reproductive mechanisms of men and women themselves. This will start with a computer search of all toxicity data already filed by his agency on chemical substances. But he is also interviewing the industry's own medical advisers to learn what they think about health surveillance within their own companies.

The trend is clear: not only to build large data bases on industrial health risks but, more important, to find more sophisticated ways of assessing them, so that the records—the epidemiological data—are available as soon as a problem pokes up its head. In fact, David Douglas hopes to go a big step further. "It would be nice to think that we could anticipate problems instead of always reacting to them."

The Occupational Health Information, Data Appraisal and Epidemiological Branch of the Health and Safety Executive, 25, Chapel Street, London NW1 4DT.

## Business courses

**Successful Negotiating — Strategies and Performance.** Brussels, July 12-13. Fee \$625 plus VAT. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London WC2B 2ED.

**The Busy Managers' Guide to Microprocessor Applications.** London, June 18-20. Fee: £165 plus VAT, single day £85 plus VAT. Details from Conference Secretary, Executive, 29 Octagon Parade, High Wycombe, Bucks.

**Correction:** International

**Financial Management Seminar.** Geneva, August 13-24. Fee: SFr 5,000. Details from Centre d'Etudes Industrielles, 4 chemin des Conches, CH-1231 Geneva, Switzerland.

**The School of Sales Promotion.** Summer School, Oxford, July 30-August 3. Fee: £515. Details from Aim 1000, The Sales Machine, 22 James Street, London WC2E 8NS.

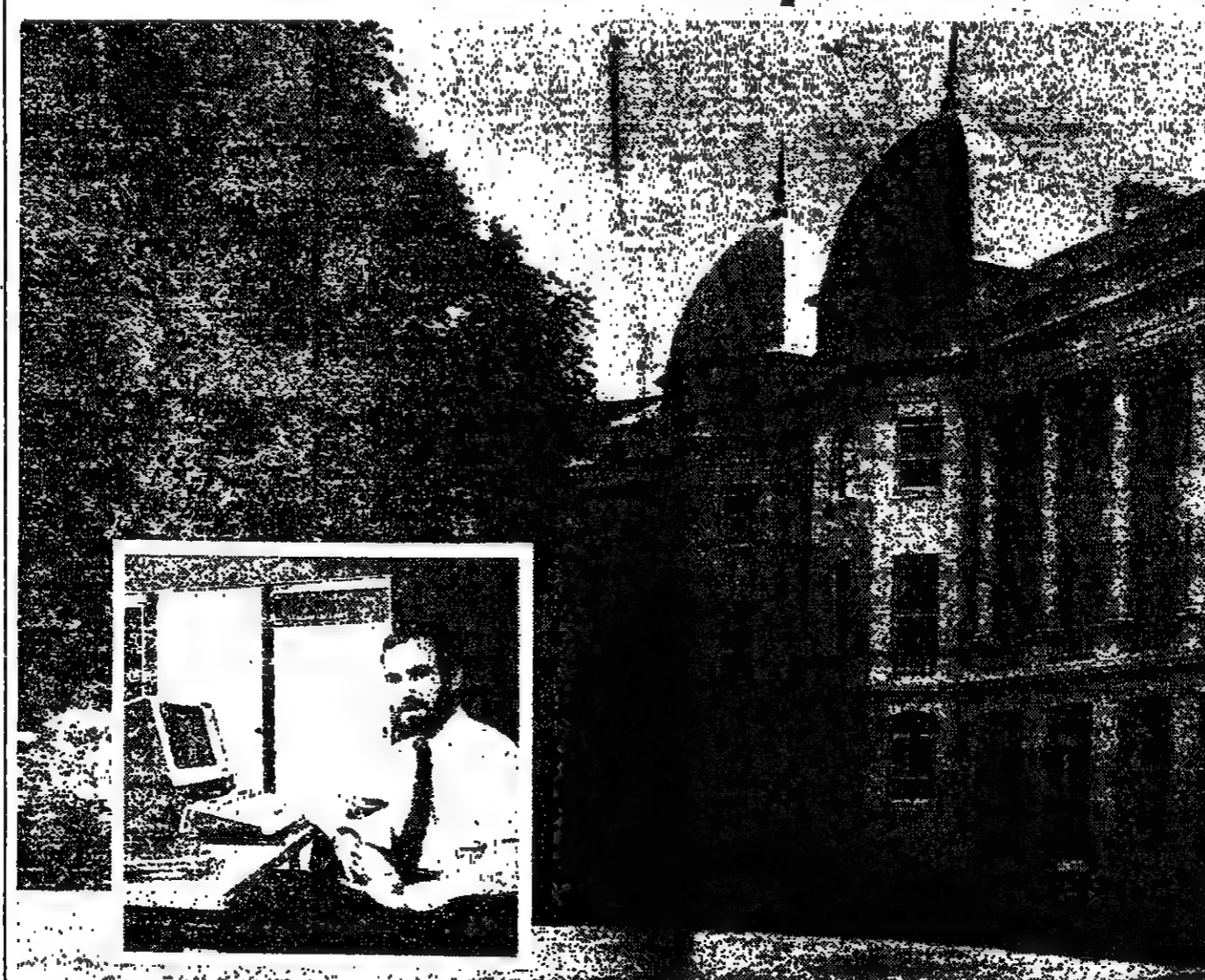
**The Fundamentals of Finance for Non-Financial Managers.** Brussels, August 20-24. Details from Management Centre 45U.

**Europe, avenue des Arts 4, B-1040 Brussels, Belgium.**

**Managing and Supervising Maintenance Work.** The Holiday Inn, Slough, July 8-8. Details from Management in Action, 121 St. James's Drive, Wandsworth Common, London SW17 7RP.

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50th Anniversary





Roger Rees

The Other Place, Stratford

## The Suicide

by GARRY O'CONNOR

"There are 200m people in the Soviet Union, and each one of us is afraid of someone," cries out Podsekalkin, the hero of Nikolai Erdman's *The Suicide*, adding "except for me." He picks up the phone, dials the Kremlin and insists a message be passed on to "him," meaning Stalin, that he has read Marx and he does not like him. A defiant move, considering that *The Suicide* was written in 1930. Podsekalkin then goes off solemnly to shoot himself. *The Suicide*, although rehearsed by the Moscow Arts Theatre, was never performed.

But Erdman's many-sided force is no ordinary piece of dissidence, and for much of it it is unclear exactly where his point of view does lie. Podsekalkin's declared intention of committing suicide because he can find no work in Communist Russia, (this was before the Stalinist purges) is not even an original thought; it is foisted on him by his wife and mother-in-law, who because of his extreme behaviour decide he must be on the point of killing himself. He produces a gun, but the gun is a symbol, not of his own will to suicide, but of the many frustrated feelings in the Revolution who want to make use of the suicide for their own ends.

A member of the Intelligentsia wants Podsekalkin in his note to call attention to the plight of the intelligentsia. A female fanatic wants him to resurrect love as a spiritual force; a butcher, to show the state of the meat supply. And so on. Beyond all this, a subtle sounder, worthy of Congreve's invention and called Kalabushkin, who works on a fairground shooting-stall, has woven these

disaffected factions into a moneymaking plot for his own profit, having persuaded them the naive Podsekalkin is killing himself exclusively for their cause alone. "Now, more than ever, we need dead ideologists." Erdman is a dazzling manipulator of plot: time and again he takes his main idea through electrifying twists and turns and, miraculously enough, holding suspense to the very end as to whether Podsekalkin will live or die. Ideas such as "These are modern times, praying is a sin," tumble out headlong, sending reverberations in directions too numerous to list. They show how alive Erdman was to all that was taking place around him, even if he could not quite unify the threads. It was a tragedy that this was the last play he wrote, though he lived for another 40 years.

Roger Rees, as Podsekalkin, depicts admirably the pain and grim humour of living in such confused times, and the large cast under Ron Daniels' direction orchestrate the rapid change of moods and, no less, the many-sided intellectual implications. The production mirrors the busy, condensed and wayward nature of Erdman's dissident vision.

### Pirandello play at Greenwich

The next production at Greenwich Theatre, opening on June 28, with a preview on June 27, is Pirandello's *Six Characters in Search of an Author*, in a new translation by John Linstrum. It is the first London revival of the play since 1963.

## Cinema

## The All-American Hero

by NIGEL ANDREWS

*Oliver's Story* (A) Ritz  
*The Buddy Holly Story* (AA) Classic Haymarket  
*Saladin* (A) Gala Royal

The Western was charged with the grandeur of John Wayne. Where a hundred Hollywood six-shooters failed, it was illness that really felled this most monumental of stars: cancer, or as Wayne preferred to call it the "big C." Wayne's death last Tuesday was the quietus for the movie Western. It rose with Wayne during the 1930s, it reached its highest peak with him in 1939 with *Stagecoach* and it subsided with him into an autumnal, majestic old-age during the 1960s.

Rumour wrongly ascribes Wayne's own death as a star to *Stagecoach*. But Wayne had his first leading role in a Western ten years before that—in Raoul Walsh's *The Big Trail* (1929)—and he was a busy if not world-famous actor during the whole of the following decade. Director John Ford adopted him as his favourite youthful hero (he had "discovered" him in 1928, when Wayne was sweeping leaves on a movie set as third assistant prop man) and Ford's *Stagecoach* set the seal on the Wayne star image: the lazy drawl, the rolling, almost tipsy walk, the dry humour, the wry gallantry.

Wayne's majestic slowness of presence gave him an air of maturity even when young. He was the obverse of a star like James Cagney, who never grew old and whose stock-in-trade were impetuosity and cat-like agility. Wayne's granite features made every expression—from a grin to a scowl—seem like a crack in a mountain-face. Monument Valley, not surprisingly, was the setting (used in *Stagecoach* and several other westerns) where he and Ford felt most at home: a strange, hieratic wilderness of flat desert and sheer soaring rock.

Times may change, but Wayne never did, and his contentious right-wing politics reflected his immutability. They were the politics of pioneer individualism, and they sat more easily in the historical frame of the Western frontier era than in the real world of the 20th century. But it's hard, despite the naïveté of his Vietnam movie *The Green Berets* or the distortions of history in *The Alamo*, to wish Wayne had been otherwise. The power of his screen image came from the total sympathy and

sympiosis between his movie roles and his own character and beliefs.

Wayne was awarded his only Oscar in 1956 for *True Grit*. Typically enough (of Oscar accolades), this was his most "theatrical" performance: funny and splendid and flamboyant, but far less touching and cherishable than the earlier films with John Ford—*She Wore a Yellow Ribbon*, *Rio Grande* or *The Searchers*—where he hardly acted at all. The most satisfying screen performances, it could be argued, are those where the actor's own personality lies flush with his role and no effort of "impersonation" is needed. By this yardstick, Wayne was a movie star head and shoulders above his contemporaries (which includes at least two generations). He was practically the definition of the strong, silent hero: living the role both on the screen and off it. He carried out an image of American strength and American idealism that can never be erased and will never be forgotten.

Meanwhile, regrettably, back to the ephemera of which this week there is a rich choice.

You may have been wondering what happened to Oliver Barrett III after the tragic death by leukemia of his wife, alias Ali McGraw. Wonder no more. *Love Story Part II*, as inevitable as next Christmas, appears this week under the name of *Oliver's Story*. Swoon once more to the poignant, dancing strains of Francis Lai's score, wonder anew at Ryan O'Neal's prowess with tears, and if you feel that the absence of Ali McGraw is a movie bereavement too great to bear, console yourself with the presence here of Candice Bergen—a McGraw look-alike in ash-blond hair—playing the New York department-store heiress with whom our hero rediscovers his capacity for love.

*Oliver's Story* is directed by John Korty, co-written by Korty and *Love Story* author, Erich Segal, and is little short of excruciating. Two stories are intertwined, like a mishap with the gift-wrapping. One tells of Bergen and O'Neal's globe-trotting romance, from candlelit dinners a dew in New York to a tourist idyll in Hong Kong. The other tells of Oliver's attempts to "find himself" in his work as a lawyer. Should he forget money and espouse righteous causes, like

the housing problems of poor Puerto Ricans, or should he step into his father's shoes and become a Big Business plutocrat? His father being Ray Milland, whose speech is ever more majestically suave and sly, paternal charisma wins out and O'Neal finally steps into the family business. He loses Miss Bergen in the process; but *Love Story Part II* cannot be far away to provide him with a replacement.

It's typical of Hollywood's prowess with the rose-colored lens that it makes real-life stories appear just as sentimental or fantastic as fictional ones. Buddy Holly was a real person. Some of you may even remember him: a lean, dark, improbably bespectacled Rock'n'Roll singer whose voice combined the deep Presley engine-throb with a fair for plaintive lyrics. He wrote songs like *Peggy Sue*, *Oh Boy*, and *That'll Be The Day*, he had a tragic early death in an air crash at the age of 22, and if you don't remember him by now, or are too young to do so, I shan't go on.

*The Buddy Holly Story* has reduced him to a packet of dehydrated tears. Just add the filmmaker's tears, bring the mixture up to lukewarm and leave to steam for 110 minutes. How

Buddy Holly and his two-man band The Crickets rose from humble beginning in a garage-turned-music-workshop to become the idols of New York; how Buddy parted company with the group when his fame outstripped theirs; how Buddy preferred domestic peace with his wife, Maria Elena, to nationwide tours; these things you will learn. You will not learn why Buddy Holly wrote the music he did, what is distinctive or characteristic about it for its time (the late 1950s), nor why it made such a huge popular impact. Steve Rash directs the film as if sleepwalking through a dream-landscape composed equally of American Graffiti and American Hot Wax, and the only clear merit is Gary Busey's performance as Holly, a strong, likeable, effervescent portrait that won this actor a deserved Oscar nomination.

*Saladin*, an Egyptian film in wide-screen and colour, offers an Arab's-eye-view of the Holy Land Crusades. Richard the Lionheart is a plump, conspiratorial redhead. Philip of France is an effete dandy, and Saladin is a noble, gamut figure-head trying to lead his people to salvation. There is probably more truth to this version of history than the convulsively

chauvinistic one one learns at school in the West. But the film doesn't make the most of this advantage: preferring to spill forth in an effusion of cliché dialogue, cut-price battle scenes and stand-up-and-recite performances.

If you haven't yet seen Werner Herzog's eerie and hypnotic *Nosferatu the Vampire*, don't be lured away from the German version still running at the Gate cinema by the dubbed copy opening this week at the Cinemas. The Gate has had the courage to persevere with Herzog's original language subtitled version, ignoring a potentially wider audience drawn to the catch-penny appeal of vampire films in order to present this movie as its director wanted it.

Herzog fans may find this remoulding of the first ever *Dracula* movie (made by Murnau in 1922) a less personal work than their favourite films by the German director—Aguirre, *Wrath of God* and *Kaspar Hauser*—but *Nosferatu* has an authentic visionary flavour and a pair of riveting performances (Klaus Kinski as the rat-toothed vampire, and Isabelle Adjani as the self-sacrificing heroine). If you haven't seen it, huddle instantly to the Gate cinema. If you have seen it, huddle thither to see it again.



Ryan O'Neal and Candice Bergen in "Oliver's Story"

### Diarist's record of the Navy

The first attempt to publish in a single volume, a diarist's record of the history of the Royal Navy has just been published by the Centaur Press of Fontwell, Sussex.

The book began as an idea by Admiral Sir Terence Lewin, the First Sea Lord who is soon to become Chief of Defence Staff, when he was C-in-C Naval Home Command. One of his younger staff officers, Lt-Cdr Roger E. A. Arnold-Shrubbs, collated notable events in a day-by-day diary—for internal use in the Royal Navy to be a constant reminder to the Service of its history and achievements.

It was later decided to prepare an expanded and illustrated book for wider circulation. The major task was continued by Capt. A. B. Sainsbury, a retired Royal Naval Reserve Officer and naval historian, who has been responsible for the final work titled *Day-by-Day*.

## Kassel

## Cowie's new opera

by DAVID MURRAY

On Sunday, the day of the EEC poll in Germany, the Kassel Staatsbühne gave the first performance of an opera by an Englishman born in the middle of the last World War. Premieres of British operas are sparse indeed at home, and rare indeed abroad; and neither the form nor the reputation of Cowie's *Commedia* aligns it with any Continental current. As it happened (and not by deliberate decision) the whole production team—conductor, producer, set and costume designers—was British, as also the one guest soloist among the resident international cast. Though Cowie's publishers were not prepared to undertake this score, his Piano Concerto and his 2nd String Quartet had attracted sympathetic attention in Kassel, and the funds needed for preparing the parts were raised locally.

The idea for *Commedia* grew from Cowie's fascination with the antique *commedia dell'arte*, dating from some university experiments in re-creating the genre. The archetypal characters are Harlequin, Columbine and Brighella, old Pantalone and the Dottore, with the plausible addition of a Contessa and her maid. The plot echoes the stock situations around which *commedia* troupes used to improvise: the timelessness, with all the men in half-masks identified by their traditional costumes (charmingly realised by Sally Gardner). Cowie intended that a small stage chorus should represent the rest of the troupe, doing the scene-setting, commenting on the action and miming the *lazzi* interludes, reinforced by another chorus in the orchestra. In the event, prudence dictated that both choruses should be lodged safely in the pit, with the on-stage miming left to the Staatsbühne ballet company; musical security was

paid for by some loss of involvement (and of word-audibility). The hallowed elements of the *commedia* are placed willywilly within a wholly foreign frame, and it is this that defines the nature of the opera. Cowie is a lover of nature, of the changing seasons and, above all, of birds; ornithology has often invaded his scores before now, and hearing *Commedia* is something like spending an evening in an aviary. The orchestra (classical size with added brass and percussion) caws and twitters, the chorus chirrup, and Columbine—discovered first in a bird's nest—warbles a capricious descent: she is as much a Papagena as a Zerbinetta. In many passages Cowie assumes a colourable buffo manner, but it pales amid the iridescent *Naturaliste*, a matter no less of feeling than of ornamentation.

The ideas of the old *commedia dell'arte* are diminished to vanishing-point in *Commedia*. Cowie got from David Stammers, presumably just the libretto he wanted: the comic intrigues which were the mainstay of the original form are here rudimentary and limp, and instead we have mortality viewed from the extra-human perspective of a bee-loud glade. The four acts re-enact the seasons. Spring: Harlequin, who comes upon his avian Columbine, bears her off at her own request to the city, and is there driven by penny to give her up to the miser Pantalone. Summer: Pantalone, seeing vainly to revive his vitality through the Dottore's arts, and Columbine passes into the hands of the man-hating old Contessa. Autumn: the harvest is celebrated. Harlequin, tricked by Pantalone into giving him money with which he might regain Columbine, and the Dottore muses wisely. Winter: the Contessa, with malcontent

intent, invites everyone to dinner at the solstice. Brighella—the troupe-leader and master of all the action—appears as a supernatural judge, cuts the strings of all his human puppets, and sweeps the eternal feminine Columbine away to begin the cycle again.

Thus summarised, the plot may not sound cogent. It isn't, nor is it funny—at no point did the audience laugh. Under-supplied with intrigues, the characters are not intriguing; if Cowie hoped that operatic magic would supply a comic third dimension by expert physical mime, he was grossly optimistic. Yet the music has a sharper dramatic bite than the text ever manages, and Michael Geliot's music-making production finds a terse shape and a point at even the least consequent moments. In John Gubler's pretty settings, which have a hermetic economy, Geliot focuses the action with endlessly resourceful skill: his gifts have rarely been put to such welcome use. Wisely, he has sided the peculiarly personal strands of the work—lyrical-contemplative, tenderly detached, a bit somnambulist—and kept them at the centre. If he could not inspire his principals with the physical craft that belongs to a wit quite different from theirs, he has at least extracted a high-definition performance from everyone.

The result is that the calmly death-dealing climax, widely under-motivated though it is, carries a genuine pathos: the opera is not, one realises, about nothing. It is greatly assisted by the powerful authority of Walker Watt as Brighella, a role which acquires the mysterious dimensions of Wagner's Wanderer, Strauss's Unkenknecht, Tippett's Scorchie. And in fact it is the *Midsummer*

## Festival Hall

## Maazel's Mahler 6

Two fundamental objections apart, the penultimate concert on Wednesday of the Philharmonic's complete survey of the Mahler symphonies under the baton of Lorin Maazel was a characteristically tough and invigorating event.

The symphony was the sixth; and the objections are surprising, in view of Maazel's usually otherwise very precise and vigorous view of both the letter and the spirit of Mahler's scores. Any account of Mahler's Sixth that ignores the contrast of tempo between the opening movement and the scherzo which follows it loses sight of one of the essences of the symphony. For quick return and cheap effect, the conductor can open the Sixth with a brisk pounding allegro, ignoring the important *ma non troppo* qualification. He must then, instead of leading his forces into the savage up-tempo caricature which Mahler unleashes, use instead the same basic pulse for the scherzo, exchanging crotchets for quavers—anything but what would make nonsense of the scherzo's texture and line. He can, in fact, play both the opening movement and the scherzo at the same speed; but it is dramatically and musically inept, and it is wrong.

The tempi Maazel chose for the two movements lay within a metronomic point of each other; but he disguised the bluntness of the effect by placing the slow movement between them in an ordering which was neither Mahler's first, nor his last, preference, but only a brief aberration of 1908, quickly, and firmly, corrected. Perhaps Maazel, and other Mahlerians too, like to hear the Sixth thus regressed; but to my ears it is a strange, and to the spirit of the work all but mortal distortion.

Fundamental reservations (which as far as the tempo of the first movement is concerned can be argued on every page of the score); but there was room still for excitement. It was fine to hear the first movement properly weighted with its exposition repeat—though the *schizomoll* theme, because of the chosen relative balance of tempo, emerges slower, not slightly faster, than the rest. The brass were on bright and pungent form: turbulent at the scherzo's climax, cut with raw energy in the scherzo. The finale was impressive: grandly shaped, a nightmare canvas powerfully drawn. Only the cowbells, seemingly amplified from behind the scenes, sounded exactly as they should. — like a cluster of some huge washing-up brushes.

DOMINIC GILL

### Thomas Igloi

In my review yesterday of Tuesday evening's concert at the Elizabeth Hall dedicated to the memory of the cellist Thomas Igloi, I unwittingly gave currency to the mistaken belief that Igloi's tragic death three years ago at the age of 28 was the result of suicide. Igloi had in fact been suffering from an unsuspected heart condition, and died in his sleep from a heart attack.

D.G.

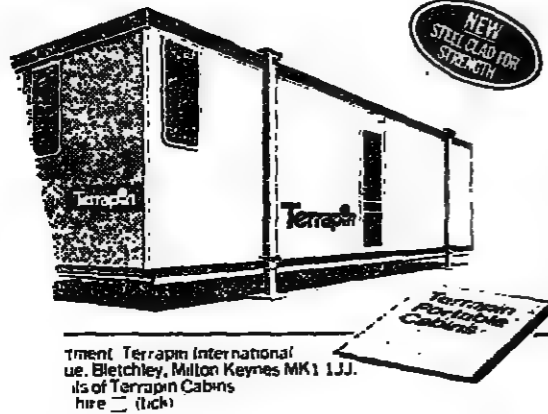
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Friday June 15 1979

## Reinforcing the market

**MONEY** discipline is not a threat; it is a fact in some places. A well-known maker of construction equipment is to close a plant, and one of our leading electronic companies is reported to have said that its cash flow precludes any other of improved wages for the time being. At the other extreme the Scottish miners are claiming £140 a week as a basic wage, and the London Tube drivers are at present intending to start their first strike in more than 50 years.

### Sheltered

There is no need to know anything about the merits of these disputes to observe on fact. The miners and the Tube drivers work for monopolies in vital industries, and their services would certainly be required (though perhaps in slightly smaller numbers) after a strike. The manufacturing companies are struggling to survive against home and foreign competition.

Tight money, especially when it is achieved by a credit squeeze rather than by fiscal restraint, thus driving up interest rates and the exchange rate, bears especially harshly on firms competing directly with foreign rivals, and especially those with large working capital requirements. The determined operation of cash limits applies somewhat analogous disciplines in the Government services. Between these extremes is a large expanse of relatively sheltered activities, more or less disciplined by their own internal competition.

### Legislation

This means that competition policy, in its broadest sense, is as vital as monetary restraint and a proper fiscal-monetary balance in achieving an even pressure of anti-inflationary policy across the economy. Failing such a policy, monetary discipline, like all other anti-inflationary policies, will be less effective against the more normally disciplined than the most blatantly cost-inflationary attitudes, and bear too heavily on the exposed competitive sectors which are also our best hope for future growth.

The Government's timetable shows a sense of this urgency at least so far as subject-

headings are concerned. A Bill giving enhanced powers to the Monopolies Commission and the Office of Fair Trading is to be tabled before the Whitsun recess. The Chancellor has also spoken of an early introduction of legislation to check some trade union abuses.

However, the content of these measures does not at present look at all impressive. The OFT will have the power to initiate investigations of pricing abuses arising from "limited competition"—a concept borrowed, ironically, from Labour's Green Paper outlining enhanced powers for the Price Commission; but it is not clear what powers these bodies will have. This does not look like an effective substitute for market disciplines.

The proposed trade union legislation, which should not in any case be rushed through hastily in present circumstances, is directed to picketing abuses, some morally offensive aspects of the closed shop, and to the wider use of secret ballots. These are worthy objectives, but hardly central to the inflation problem.

### Monopolies

What will be required is a determined attack on abuses of market power, whether they arise in natural monopolies in the private or public sector, from commercial groupings or restrictive practices, or from the kind of quasi-monopoly power which national trade union pressure can create in a fragmented and competitive industry such as road haulage. This is an uphill and demanding task—for as Adam Smith remarked, any actor in the economy will avoid the pains of competition if he can; and it is not surprising that successive governments have found it easier, whatever their initial convictions, to fall back on inflationary policies for prices and incomes.

If the Government is seen to be attacking the problem with determination, and implicitly acknowledging that the market, especially as it exists in Britain, is far from perfect, it will make its whole policy both more credible, and more convincingly fair.

## A Communist reappraisal

**RECRIMINATIONS** have already begun inside the Italian Communist Party over its setback in the country's general elections just under two weeks ago. The outcome of the poll, which is now starting to have important consequences not only for the party's future political strategy but also for the country's economic and social stability. It is hardly surprising that the Italian Communists should feel that the time has come for a major re-assessment of the course they have pursued, hitherto with remarkable success. The results of the national elections, in which the Communists lost 4 per cent of the poll for the Chamber of Deputies, represented their first major rebuff from the electorate in 30 years. It was particularly galling in that it was the Communists who had themselves provoked the elections.

### Grass roots

If they felt obliged to create yet another Government crisis, at a time when few people in Italy wanted new elections, it was because they found themselves in an increasingly impossible position. They were getting the worst of both worlds from the informal arrangement under which they kept the minority Christian Democrat Party of Signor Giulio Andreotti in power, without direct participation in Government. The association with the Christian Democrats was losing them grass roots support, but they were not gaining any real influence over Government decisions in compensation. Hence the appeal to the electorate, in the hope of an increased Communist vote that could be interpreted as a popular demand that they should be brought fully into Government.

The fact that this appeal failed makes it virtually certain that they will now return to outright opposition to the Christian Democrats. They have, indeed, been making fairly clearly signals to this effect in the past few days. It is a course that many in the party would prefer. But it is bound to raise questions over the whole doctrine of the "historic compromise" as advocated by Signor Enrico Berlinguer, the party leader, and indeed over the position of Signor Berlinguer himself. There will be those who argue that the

"historic compromise," the bid to offer power in alliance with the country's other main political forces, has failed. The Communist Left-wing of the Party will draw it that the time has come to withdraw into a position of much more hard-line opposition.

### Powerful cards

It is the precise role that the party should play in opposition that is at the centre of the internal debate which is now starting. It is not that the Italian Communists are likely to return to the Stalinist fold. But their links with organised labour give them powerful cards to play if they want to make the country virtually ungovernable under the Christian Democrats. That is why the Christian Democrats would probably still, ideally, like to resuscitate the former unofficial arrangement with the Communists—a formula, however, that must be out of the question so long as the Christian Democrats maintain their refusal to admit Communists to the Cabinet.

The spotlight thus falls on the smaller parties—Socialists, Republicans, Social Democrats and Liberals—whose success at the polls was one of the more striking features of the elections. Together they took 15.5 per cent of the vote. They are already indicating that they feel they are in a position to drive a hard bargain with the Christian Democrats in return for joining a governing coalition. They have presumably learned the lesson of the Communist experience that it is counter-productive to provide a Parliamentary prop for the Christian Democrats without influencing Government policy.

### Patronage

If such a coalition is formed, however, it is essential that the Christian Democrats should use the breathing space they have won to reform the country's bureaucracy and the establishment's traditional patronage system. If the Communists have lost support, it is partly because they have become tarred with this self-same brush. In opposition, the Communists will have the chance to regroup and recover some of the support among the young, the unions and the far Left. They should not be written off because of one electoral setback.

**JIMMY CARTER** has gone abroad, not for the first time, at a moment of low domestic fortune, and not for the first time it has to be pointed out that the connection between the two is coincidental rather than casual. Four days of carefully choreographed summitry in Vienna with President Leonid Brezhnev of the Soviet Union are taking place because both sides feel the need for discussions, and have to sign the Strategic Arms Limitation Agreement—not because the American President requires foreign adventure to rescue a sinking political ship at home.

U.S. officials are going to inordinate lengths to stress that no rabbits will be pulled out of the Viennese hat, such as major movement on European troop reductions or limitations on satellite warfare, and that exchanges on such regional problems as the Middle East and Africa are unlikely to produce instant results.

Vienna, it is emphasised, is the first fully fledged American-Russian summit in 47 years and may be the last involving the ailing Mr. Brezhnev. It is hoped that Mr. Brezhnev's health and inclination will dissuade him from browbeating Mr. Carter, as Nikita Khrushchev tried to browbeat John Kennedy 18 years ago. Such a confrontation would inevitably be portrayed in the U.S. as yet another snub to the president. But in so far as pre-planning can ensure, the U.S. Administration believes that Vienna is taking place on its own merits and is not influenced by how it will play in Peoria, Illinois.

That said, Mr. Carter is going to meet the Russian leader at a time of exceptional domestic difficulty for his foreign policy initiatives. He is confronted with a strong Senate challenge to his decision to maintain sanctions against Rhodesia, to his unilateral abrogation of the defence treaty with Taiwan, and, in the House of Representatives, to the implementing legislation covering the transfer to Panama of ownership of the Panama Canal. On the eve of his departure, one of the Senate's most influential members, Mr. Henry "Scoop" Jackson, bluntly accused the President of appeasing Moscow. The ratification of the Salt treaty hangs in the balance and will do so for months.

Any attempt to diagnose America's confusion about its own world role and its apparent lack of confidence in the ability of its president to steer the right course has to begin with what has now become a commonplace—but accurate statement. The U.S. is going through a period of intense introspection, entirely natural given the events of the preceding decade. There is an awareness of sorts that the world has become more interdependent and even equal, and that the U.S. can no longer cut a decisive swath through the global scene as it once did. But this is matched by a backward looking craving for old

of the kind which probably stops short of sending in the marines. Mr. Carter used to say in the 1976 campaign that American policies should reflect the "goodness" of the people, but the people at present do not feel "good" about either policies or government.

That is in part reflected in the fashionable tide of conservatism which is not merely reviving the tired right wing but is attracting, to a marked degree, the younger, better educated and newly affluent American. This movement is principally domestic and parochial. There is a noticeable degree of indifference in the country to events outside its borders, unless they grossly intrude. When they do, quick and decisive solutions are expected, and invariably those which reassert American interests.

It is a strange environment which, together with the shift of power away from the president that has taken place even before Mr. Carter took office, has in effect created a power vacuum. Mr. Carter, who appreciates subtleties better than most, but has difficulty conveying his understanding, does not appear to have filled it. There is no lack of presidential aspirants from both political parties who claim they have the answer, but their real appeal has yet to be tested in the fire of the campaign proper. In the meanwhile some rather unlikely individuals, mostly, but not exclusively, from the new right, have been given the freedom to manoeuvre politically to an extent which not only poses challenges to presidential authority but gives cause to wonder how many Secretaries of State the U.S. really has.

## Running wild

Take Senator Jesse Helms. The balding, owlish North Carolinian is of a recognisable type—the sort of ultra-conservative the South used to throw up every now and then and whose opposition to any foreign regime with an ideology to the left of Genghis Khan was absolute. The genius used to be controllable, perhaps by the simple expedient of installing an extra military base in his home constituency. A Lyndon Johnson or Sam Rayburn, in their heyday, would have had no trouble. But Mr. Helms, deviating very little from type, is now running wild in the political vacuum. Even if—as now looks likely—Mr. Carter can hold off the attack in Congress on maintaining Rhodesian sanctions, it may only be at a cost which will hurt him on other issues, such as Salt.

The Democratic leadership in the Senate, which ought to be a source of strength to the President, is scared stiff of Senator Helms. The majority leader, Senator Robert Byrd, is an artful manager, but no leader from the front. The drumbeat of Mr. Helms's onslaught has him con-



Senator Church  
He has trimmed and wavered

Senator Kennedy  
Disliked in the White House

Senator Helms  
He scares the leadership

stantly on the defensive. Certainly Mr. Helms is a stranger to the conventional Senate practice of not inflicting on the President a major setback on the eve of the sort of international summit meeting, a practice which traditionally has elicited at least temporary bipartisan political support.

In the House, Mr. Helms has a counterpart in congressman George Hansen from Idaho, who may well yet succeed in so altering the Panama Canal treaties as to render them unacceptable to Panama—thus, at one fell swoop, undoing President Carter's considerable foreign policy achievement of only a year ago. Mr. Hansen more or less admits that his basic purpose is to ensure that the U.S. by hook or by crook, retains the canal, but it is interesting that the main argument he has used—that the treaties constitute "injustice to the American taxpayer"—have powerful appeal in the current political climate. There is little to be gained from him by speaking of America's broader hemispheric policies and international commitments.

Certainly it is fear of the grassroots which has clearly constrained Senator Frank Church, new chairman of the Foreign Relations Committee, the first forum next month for discussion of the Salt treaties. Mr. Church took his chairmanship with a pretty fair progressive reputation, a good knowledge of foreign affairs and high expectations. But his first six months have been marked

by trimming and wavering, and intra-committee disputes with Republicans and Democrats alike.

His leadership has yet to be seen. If the reports from Idaho are true that he will have a trouble being re-elected next year against an ultra-conservative challenge, that quality may remain under wraps for a time. Mr. Carter's most dependable foreign affairs ally with real clout on Capitol Hill is the very man whom every poll shows could wrest from him the Democratic Party's presidential nomination next year, Senator Edward Kennedy from Massachusetts. On almost every substantive foreign policy issue, the two men are in broad agreement. Moreover, the threatened band of Senate liberals, an unusually high proportion of whom are up for re-election next year, look to Mr. Kennedy, not to Mr. Carter, for both leadership and success.

The question is how much influence Mr. Kennedy is prepared to exert on the President's behalf on critical foreign policy issues. If—and it is a huge if, for Mr. Carter is not as politically weak in electoral terms as he appears today—the Senator is thinking of running, he may want to keep a distance from the President on all subjects, even though their differences of opinion are essentially domestic. The fact that the White House staff does not like Mr. Kennedy—neither apparently does the President judging by his "I'll whip his ass" comment of the other night

—could hinder necessary communication.

Senator Jackson's intervention is of a different kind. His reservation about Salt and détente have long been known. None the less, Mr. Jackson has been a man who, by and large, has honoured the practice of not embarrassing the President on the eve of a major international foray. Both the vehemence and timing, therefore, of his speech this week, hardly softened by the fact that he included Presidents Nixon and Ford with Mr. Carter in his denunciation, is significant. His aides said afterwards that it was a message that the President intended the President to carry to Mr. Brezhnev.

Actually there are signs, to judge by a recent article in Pravda on American politics, that the Russians, like the Europeans, are beginning to appreciate the complexities that shape foreign policy in the U.S. Senator Jackson's strictures, therefore, may even be taken with a pinch of salt in the Kremlin, much as they are seen in the White House, perhaps fondly, as being too strident to influence the body politic as it tries to determine the right middle ground to approach the Soviet Union.

Mr. Carter has often been assailed for having failed to develop bipartisan consensus behind his foreign policy moves, the majority of which have themselves been essentially moderate in concept. The criticism is not entirely fair: it over-

looks that he turned precisely this trick in such controversial endeavours as the Panama Canal treaties a year ago, the Middle East arms sales package and when ending the Turkish arms embargo.

Moreover, the more jingoistic of his opponents notwithstanding, nobody seriously contends that Mr. Carter has done the unpopular thing by declining to commit American troops to overseas operations. Majority opinion in the U.S. would probably be uneasy if that country were to embark on a sharp confrontation with the Soviet Union, replete with military risk.

Even relative hardliners, such as Senator Robert Dole, the Kansas Republican with renewed presidential ambitions, have said that opposition to Salt Two will not suffice as a principal criterion of acceptability in next year's electoral battles. As he implied, the contests will be fought on domestic, primarily economic, issues.

It is a perspective which has a bearing on the Vienna Summit. Mr. Carter is approaching it with neither high nor low hopes because he, like Mr. Dole, senses his country's hopes are somewhere in the middle ground to the extent they exist at all. As the Salt debate intensifies later this year, the President can only hope that such moderate assessments prevail over those offered from the flanks, which have been making so much of the running recently.

## MEN AND MATTERS

### Ploughing funds into new fields

High above London Wall, the conversation took a distinctly sentimental turn. "Some of the younger generation are absolutely marvellous young men," gushed Lord Remnant, joint managing director of Touche, Remnant, the fund management group. "You can't help admiring their energy and enthusiasm."

The object of this dewy-eyed remark was the farming community, whose interests, Remnant assured me, were being well-served by the growing eagerness of fund managers to acquire agricultural land. The subject has understandably captured the third baron's own energy and enthusiasm: the £1.5m Touche, Remnant has so far spent on buying chunks of Essex and East Anglia have more than doubled in value as prices edge further and further into the realm of unreality.

Despite the burnt fingers of 1973, when the market took a dive, institutions are now snapping up 20 per cent of all farmland that comes on the market. Expertise is at a premium and Remnant is especially pleased at securing "a real pro"—whose appointment was announced yesterday—to advise his group on future land investments which Remnant says will run into "several millions."

The pro in question is a recently retired senior partner of City estate agents Strutt and Parker, George Judd. Himself a tenant farmer in Essex, Judd is also insistent that the funds are good for farming. "It's no longer attractive for the private landlord to let—he halves the value by letting. And he has no relief on Capital Transfer Tax. Institutions aren't people, and they don't die."

This last factor is generally seen as one of the major reasons for the decline of the private landlord, and the advance of the institutions into our meadows.



They are not normally interested, says Judd, in managing the farms themselves, preferring lease-back arrangements. These in turn help tenants to find the typical £600-an-acre they now need for machinery, stock and seed.

Farmers appear to be a little distrustful of this new, impersonal element in their lives, although the new president of the National Farmers Union, Richard Butler, admits some of the funds have gone out of their way to adopt a human face.

### Jumbo party

More than 250 of Australia's leading businessmen, farmers, politicians and nuclear energy enthusiasts are regaining their bearings after a 6,000-mile jaunt around the dominion in a jumbo jet. They paid a bargain price of £270 for the pleasure—which included a mid-air lecture on the benefits of nuclear power

by Dr. Edward Teller, the atomic physicist.

The jumbo was called "Wake Up, Australia," and the jaunt was organised by Lang Hancock, the iron ore millionaire who discovered the massive Pilbara deposits in Western Australia in 1952. But Hancock could not make the flight—his 70th birthday—because of a virus infection; so the honours were done by Gina, his 25-year-old daughter and heir.

Teller was also unable to be there in person, but his lecture came across loud and clear by radio telephone from the United States.

Overnight, the executives camped near a lonely Air Force base, 800 miles north of Perth. A journalist with the party said it seemed much stimulated by the "desert air." Next morning, there was a long queue at the only cold water tap, to freshen up before the seven-hour flight back to Sydney.

### Up a notch

This week's tax cuts will give an extra bonus to a body of men who are already envied in the City—the chief executives of consortium and international merchant banks. Their salaries are in some cases well above £50,000 a year.

Although resident in Britain, they generally are on short contracts, and until they have lived here for nine years they are only liable to pay tax on half of their earnings. But even assessed on £25,000, they will be about £3,000 a year better off. One British banker said to me yesterday: "Yes, sometimes I do feel rather jealous of them. On the other hand, their lives can be more unpredictable than ours." He might easily have been thinking of one senior director who according to his bank's latest annual report is paid £61,900—the London head of the Iron Overseas Investment Bank.

### Rent-a-pig

The pig-runners of Northern Ireland were in business long before the European Community started making smuggling extra profitable with the payment of subsidies.

As TV Eye showed on Independent Television last night, pigs are imported into the North legally from the South and collect a £7 a head subsidy on the way. To make the return trip past the Customs post would cost a similar levy, so the animals are taken back via an unpatrolled country lane, or walked across the fields into the Republic. Then back they go again, through the Customs, collecting another £7.

Some energetic farmers take a trip on this piggy-go-round three times in a day. Furthermore, I learn that some entrepreneurs have latched on to a way of making money out of the carousel without ever leaving home. Rent-a-pig is now big business for at least one farmer in South Armagh. Willing runners without stock of their own can hire pigs from him at £1 a day and take their chances with the rest of their fellow smugglers, who are estimated to be trotting about 1,000 porkers a day across the frontier.

### Uncommon policy

A colleague was talking yesterday to a high official of a foreign government. "The weather's been ghastly," said the official. "The late frosts killed off most of the grain crops."

"Not at all," said the official. "Think of all those subsidies we won't have to pay."

My colleague declines to identify the country in question, but says that it is in Europe, is not in the EEC, and—surprisingly—nowhere near the Pyrenees.

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# Budget strategy: in place of golf

THE WORD that has been banded about most in the aftermath of the budget is 'psychology'. Thus Mr. Denis Healey, the former Chancellor of the Exchequer, told the House of Commons on Wednesday that while he approved of the objectives of trying to get income-tax and of shifting to taxes on spending, he himself had always taken account of the psychology of the British people.

Mr. Healey had said earlier that while the budget figures might add up arithmetically, they failed to add up socially, psychologically, politically and, therefore, economically.

A similar point was made in a quite different way by Sir Geoffrey Howe himself. In his budget speech, the Chancellor drove to the conclusion that the notions of demand management, expanding public spending and 'fine tuning' of the economy have now been tested almost to destruction.

In other words, the conventional economic judgments do not apply. Where the Government and the Labour opposition differ is on the psychology of the British people. The Government thinks that the country might respond to a radical change of direction. The opposition thinks not only that the timing is wrong, but also that the British people are essentially not conservative to respond positively to so radical a challenge.

The point, which is important, is that the Government has to look at the financial strategy that accompanied the budget to see that the starting point is not ideal. 'The prospect', it says, 'is for economic activity to decline slightly over the next year or so.' The rate of inflation was already accelerating even before the application of Tory policies. 'Moreover', the state-

ment goes on, 'export volumes — apart from oil — are held back by poor competitiveness, and the upward trend in the share of demand met by imports may continue.' And again: 'The budget itself is estimated to add about 4 per cent to the retail price index in the third quarter of this year, leading to a total increase of about 16 per cent.'

It is from statements like these that Mr. Healey draws his conclusion that it is only a matter of time before Mrs. Thatcher follows the example of her predecessor, Mr. Heath, and executes a U-turn. 'What is the point', he asked, 'when opportunism will finally override her obstinacy?' In his television broadcast on Wednesday evening he went even further and appeared to forecast an early general election.

Mr. Healey is not alone. Conservatives, too, raise the question of how high inflation and unemployment could be allowed to go before the Government changed direction. It is suggested that somewhere there is a theoretical point — say inflation at an annual rate of 20 per cent, unemployment of over 20, and both still rising — that would compel second thoughts.

Yet anyone looking for signs of doubt at the highest levels of government is likely to be disappointed. The impression at the moment is that Mrs. Thatcher and the Treasury Ministers would rather fall on their swords than even contemplate an alternative strategy. That goes not just for next winter, when there may be strikes; it appears to go well beyond.

Government thinking seems to go something like this. There were two reasons for being so bold in the first budget. One is that the Tories wished to be seen immediately carrying out their promise. If the timing was not ideal now, there were no grounds for believing that it



would ever be any better in future. Indeed, the longer radical action was delayed, the harder it would be to take.

The second reason is that the state of the economy apart, the timing is not actually so very bad. After the events of last winter, the unions are unpopular; they may even be demoralised. There is a good deal of evidence that they are quarrelling among themselves. Some former Labour ministers have noted that whatever militant threats may be made in public, in private union leaders are full of self-doubt. The inquest into what happened last winter still has a long way to run. In particular, the whole question of the future relationship between the unions and the Labour Party still has to be

sorted out. Do the unions want to become rather less closely identified with a political party or do they expect the Labour opposition to support them in every militant action they take?

The fear among some Labour politicians is that they might be asked to support a wholly unjustified union stand. In that case, the Labour movement would be divided if they said no, but it might become ever more unpopular if they said yes. Of course, the unions know this too. It may well be therefore that, for a time at least, union militancy has gone out of season.

Naturally, there will be strikes and the threat of strikes. One of the Government's main worries on the horizon is the

British Oxygen Company, a company in the private sector which has the kind of virtual monopoly that cannot easily be broken by relying on imports, and which has a record of making embarrassingly large wage settlements at the beginning of the pay round. The Government's attitude is that the settlement this time is entirely up to BOC. If it cannot afford to pay, well and good. If it can, it will have to take the consequences. The hope is that whatever the settlement at BOC it will not be taken as a marker for other groups of workers who are in completely different circumstances.

Whether this strategy will come off is anyone's guess. But it does seem a factor in the

Government's favour that the unions are still thinking about what went wrong last winter. It is thus quite possible that the next winter offensive could be postponed until 1980. By then, however, a great many other factors could have changed.

It is here that one returns to the budget. It is not quite true to say that the Tories have done everything at once. What they have done, in fact, is to prepare the way to do a great deal more next time, and in this sense the budget looks like a very carefully prepared package.

If one looks at the figures that Sir Geoffrey gave on Tuesday, it can be seen at once that there is very considerable scope for further cuts of income tax in the budget next April. The increase in VAT, for example, will bring in over £5bn in a full year, this year it brings in slightly less than half of that. The full year revenues could allow several pence in the £ to come off income tax.

There is also the matter of the Petroleum Revenue Tax. The proposals in the budget, taken over from the Labour Government, are estimated to increase revenues to the Exchequer from the North Sea by about £1.5bn in the period to 1985. That is on top of North Sea revenues which were already rising steadily. There, too, there is scope for further cuts in income tax.

On a much smaller scale it will not have escaped notice that the Chancellor has left himself room to raise certain taxes in future. The fact that he did not raise the duties on alcohol and tobacco this week does not mean that he will not do it next time. The same may be said about various proposals for more taxes on the consumption of energy.

Not least, there are the cuts in public expenditure still to

come. Mr. John Biffen, the Chief Secretary to the Treasury, told the House of Commons on Wednesday that the cuts so far amounted only to a very preliminary package. He referred especially to the Department of Industry and Employment, where the cuts do indeed look quite modest when set against the Tories' aims.

A temporary scaling of £145m from a four month deferral of payment of approved claims for Research Development Grants for overseas, hardly matches Sir Keith Joseph's reputation for the more with the bolder. In fact, the restrictions on spending employment measures fell short of what the Tories wanted. We may say, however, that there is more in the pipeline.

Time in hand

There is the most budget too should be an ambitious one. There is no reason to assume as yet that the Tories will refrain from putting their policies into effect, and they probably have time in hand. Yet at some stage one comes back to these questions: will the policies work, and how the Government correctly judged the British psychology?

My own impression is that some Tories have learned their philosophy rather as other people learned their catechism. There is a sort of holy writ in them which says in order to prove that our policies don't work, you would have to prove that alternative strategies would work better. After the years of relative failure, the Government is convinced that the alternative strategies are dead-end and dead-end. That is why it is determined to do its own way even if the first result looks discouraging. The fact that Mr. Heath did a U-turn will

make Mrs. Thatcher yet more reluctant to contemplate any such thing.

Yet there is also a subtle difference of view, though not a conflict, between Sir Geoffrey as Chancellor and Mr. Biffen as Chief Secretary. The real rationale behind the budget speech was that the Government was seeking to create the conditions in which economic growth can take place. Even if it is slow in coming, indeed, the best round of tax cuts could be taken simply as a contained attempt at rationing.

Mr. Biffen's speech on Wednesday, which had clearly not been written by a Treasury official, was different. In emphasis, he said quite plainly that he believed that for the foreseeable future all but the most modest economic growth would be out of the question. He did not say that the Government was not going to do anything to change that. That is the liberal approach. Mr. Biffen believes in it, in fact, and public expenditure for the year will be cut by £1.5bn because they will create a new British model of co-existence with France, Germany and Japan. On the psychological point Mr. Biffen may be right. It is up to the British people to make of the tax cuts what they will. Some will take advantage of them to buy a new car and to make more money, and some will not. It may not be the best work of an economic market, but the chance of a market is worth making nonetheless. That is the best philosophical case of all for the Budget.

Malcolm Ruthven

## Letters to the Editor

### Haphazard game

From Mr. S. Wilson

Sir—Again the City has been the scene of an old struggle for Government stock issued by the Bank of England.

This time the Bank's official representative did the handing out and the battle took place on the floor of the Stock Exchange itself.

With no discredit to the Government broker, the allocation of stock once out of his hands turned into a haphazard game of chance.

The Bank of England has already taken steps to ensure that the issue of stock by application has been made more orderly—could it perhaps now turn its attention to the issuing procedure followed in the market place.

Simon Wilson, 37, Jauer Street, SW11.

### Going to market

From Dr. Paul Marsh

Sir—In an interesting article, Lex (June 8) claims that share prices normally dip sharply when rights issues are announced; that subsequent price weakness is likely because of the increase in shares that finance directors try to time issues to coincide with a high rating for their shares; and that based on recent experience, this is all too likely to be bad timing for the shareholders.

These are serious claims. If they are true, they suggest that the Stock Exchange is an inefficient and illiquid market as a provider of funds. The impression given is that the market reacts with alarm and dismay to the news of an issue; that the additional supply of a single company's shares causes serious market indigestion leading to significant price falls; that finance directors attempt to fool new shareholders; and that investors are consistently over-optimistic in their assessment of the prospects for companies announcing rights issues.

Leaving aside the past year, these claims are not borne out by the historical record. A recent study examined all rights issues made on the London market between 1962 and 1975 (over 1,000 issues in all). This study found that, on average, prices fell by only about a half per cent when the issue was announced. Furthermore, price movements on both the announcement and ex-rights were completely unrelated to amount of money raised. 42% of issues caused a 12% price increase, 18.0% caused a 10% price increase, 66.5% caused a 10% price increase, 66.6% caused a 10% price increase, 19.1% caused a 10% price increase.

Things really get worse when one looks at the annual largest issues. In January 1978 and 1979, this group of issues caused a 10% price increase, 19.1% caused a 10% price increase, 66.6% caused a 10% price increase, 66.6% caused a 10% price increase, 19.1% caused a 10% price increase.

### Illogical and unreasonable

From Mr. A. Ferguson

Sir—While the Inland Revenue may be exacting, that august body is rarely unreasonable. There can be no question that when an employee travels to work, he or she foots the bill for doing so. When an employee is called from his bed to deal with an urgent matter however, and has to drive to his place of work, it appears that if the individual claims any mileage allowance then that amount has to be added to his income for tax purposes.

Should the individual be involved in an emergency where safety or hazard is involved, then it is possible for him to claim tax rebate on such travel costs incurred for this at the end of the tax year. While realising the danger of this, I think the practice as it stands is unreasonable and I see no reason why any poor devil who has by necessity to make a second journey to work out of normal working hours, should have to have the cost of doing this included as part of his personal income and subject to PAYE. This seems to be both illogical and unreasonable.

A. I. Ferguson, 4 Burns Court, Marine Parade, Dawlish, Devon.

### Fuel saving service

From the Secretary, Confederation of British Road Passenger Transport

Sir—Mr. Peter Brennan's letter of June 9, referring to the pattern of movement of empty and fully laden goods vehicles, prompts me to describe the 'Fuel Saver' service for coaches which is to be launched next Monday by the Confederation of British Road Passenger Transport.

CPT will act as a clearing house for members of the coach industry in an attempt to reduce the number of empty runs — and make the most of their limited supplies of diesel — by having a one way hiring, they can use the direct telephone line to the CPT clearing house. We will try to find a party to travel on the return leg of the journey and fill the empty seats on the coach.

This is a sensible way to reduce dead mileage and make maximum use of the present fuel supply which will certainly

### Representation of the people

From Mr. A. Beever

Sir—Why is it that everyone, including the admirable David Steel, refers to our antiquated and undemocratic voting system as 'first past the post'? It must be to give it some semblance of respectability—subconsciously suggesting that the 'post' is 50 per cent of the votes cast. In reality the 'post' does not exist, as the person with the most votes is elected regardless of how few he or she may get.

The reason why the Conservative and Labour parties persist with our unfair system for Westminster is simply because it gives them an alternate share of absolute power. Hence our decline over the last 30 years, while our European partners have had 'strong' Governments which have reflected the voters' preferences.

The Labour party prides itself on its democracy. The Tories preach about 'freedom'. Well, let us see a true democratic House of Commons, with 'freedom' for electors to be represented by people of their choice.

A. J. Beever, Ashleigh, 1, King Edward Road, Salford, Cornwall.

### Proper levels of pay

From the chairman, British Legal Association

Sir—I do not dissent from the view of Mr. G. E. Daniel, Treasurer of Nottinghamshire County Council (June 12), that Civil Servants and local government officers, among others, should receive a proper level of pay, but this leaves open the question of what that level should be for senior and junior staff alike. The National and Local Government Officers Association is reported to be claiming a minimum wage of £60 per week for, inter alios, 'novice typists', while advertising in newspapers and journals demonstrates all too clearly the degree of overspending by local government in recruiting staff. Salaries (including fringe benefits) are often far too high in relation to the experience demanded of applicants, and the work load and responsibility carried by the individual.

The result of local government free spending over many years has been threefold. Many private sector employers competing for staff cannot match salaries and other inducements offered by local government and this makes recruitment difficult and leads to dissatisfaction amongst employees. Solicitors in private practice are particularly hard hit in this regard. The absurdly high wages offered to

### Manifesto Budget

From Mr. P. Minton

Sir—One does not expect such a facile half truth from the Financial Times as appeared in your leader 'Manifesto Budget' (June 13). Six weeks ago the country did not vote for a radical change of direction—a proportion of the population did so, but the majority of those who voted did so against such a change.

As a Liberal candidate I supported the party's policy of a switch from direct to indirect taxation. This change, however, was coupled to a slower rate of shift than now proposed with the people at the bottom of the income pile getting the first benefits of income tax reductions. In addition, our programme was geared to necessary restraints on prices and incomes to ensure that the division of the 'economic cake' was a just one.

I have no doubt that the Chancellor of the Exchequer, well intentioned as he may be, will by early next year be desperately trying to foist a 'voluntary' incomes policy upon the country—as did the last Conservative Chancellor of the Exchequer, and failing as miserably.

Peter K. Minton, Underwood, Hardwick Road, Whitchurch, Reading.

### Freedom of belief

From Mr. B. Adkins

Sir—Why on earth should Mr. Harold Borrott (Letters, June 7) or anyone else have to prove to an Industrial Tribunal that he believes in God in order to get permission not to join a trade union? And by what pretence to spiritual authority does the said Industrial Tribunal claim to know whether or not such a person's religious beliefs are genuine?

Bruce M. Adkins, Garwood Farm, Lampeter, Wales.

## Today's Events

- GENERAL**  
UK: Sir Geoffrey Howe, Chancellor of the Exchequer, addresses London Chamber of Commerce and Industry annual lunch, Guildhall.  
Sir Keith Joseph, Industry Secretary, visits shipyards and factories in Scotland.  
Prime Minister Andreotti of Italy visits London for talks and working lunch with Mrs. Margaret Thatcher.  
Crown Assets publish annual report and accounts.  
Essex County Show opens, Chelmsford (to June 16).  
Overseas: President Carter and
- PARLIAMENTARY BUSINESS**  
House of Commons: Debate on CAP price proposals, 1973-80, and related EEC documents.  
Company Results: Final dividends: Estates and Agency Holdings, Ferguson Industrial Holdings, Milbury, Pilkington Brothers, Jonas Woodhead and Sons. Interim dividends: Arthur Guinness Son and Co. Arthur Lee and Sons, Raeburn Investment Trust.
- COMPANY MEETINGS**  
Aldermore, 9 Station Road, Kettering, Northants 12. 1. J. Dewhurst, Rural Station Hotel, York, 12. E.C. Casey, Forest Road, Tully, 12. Cardiff, 12. Farnham, Globe Works, New Town Road, Bournemouth, 12.15. Matthew Hall, Hargreaves, Russell, Sway, W. 12. Higgs and Hill, Walsort Hotel, Albyrch, W.C. 12.15. Roberts, Adlard, 116, Pall Mall, S.W. 12. Silhouette, 84 Baker Street, W. 12.



## The Palomino Vine. Where craft and nature combine to make a classic sherry.

Without the vine there can be no grapes. Without the grapes there can be no sherry. The tending of the vines is therefore the very basis of a classic sherry.

Centuries of experience have developed the craft of viticulture in the hills around Jerez into an art. Grafting, pruning and training the vines all play their part in aiding and abetting nature to produce the finest sherries. Only in this way can the special character of the native soil and the unique ripening power of the Spanish sun fulfil their promise of classic sherries to come.

Time too has a role to play. For it takes fully three years for



a newly planted vine to produce the Palomino grapes needed. After the grapes have been gathered, pressed, and the fermentation completed, the wines reveal their individual characters and the long process of maturing a classic sherry begins.

The classic fino is very pale in colour and very dry to taste with a subtly delicate bouquet. Luncheon Dry is just such a fino. Serve it chilled to appreciate fully its true character.

The classic amontillado is allowed to mature for longer in the cask, taking on a richer colour and a subtle nutty flavour. Such is the character of Club Amontillado.

Luncheon Dry & Club Amontillado. Two classic styles of sherry from Harveys of Bristol.



Companies and Markets

UK COMPANY NEWS

# Valor up 28% to £2.1m on increased sales: scrip

AN INCREASE of 28 per cent in pre-tax profits from £1.65m to £2.14m is reported by the Valor Company, gas appliance maker for the year ended March 31, 1979, and the directors are forecasting a record result for the current year.

The final dividend is raised from 1.435p to 1.719p making a total of 2.491p compared with 2.135p. A one-for-five scrip issue is also proposed.

Turnover rose 12 per cent from £37.58m to £42.11m. The directors point out that the year's results would have been better had not deliveries been affected by the haulage strike and consequent industrial disruption in the first quarter.

Basic earnings per share are stated as 17.37p against 10.45p and 15.78p (9.76p) fully diluted.

Net profit was £1.58m (£1.45m), before a final write-off of £127,531 on the Iran investment.

The directors say a sum of £432,090 has been recovered from £559,927 originally invested and is deposited in an Iranian bank. In view of the situation in Iran they regard the outcome as satisfactory.

Looking to the current year the directors say the group continues to launch new gas appliances, many of them setting new standards in gas technology. Mr. Michael Kenner, chairman, says he does not expect the extra VAT on gas appliances would have much effect and "we view the coming year with confidence". He said he would have been

more concerned if the Budget had raised gas prices.

## comment

The market is still waiting for evidence of a strong, sustained recovery by Valor's gas cooker manufacturing subsidiary. The Liverpool factory has been reorganised and space has been given over to production of heaters. This has helped but the cookers are still acting as a drag on profits. Heater sales have held up well and new lines have been added to overall margins. More products, planned for this year, will continue the upward trend. National strikes hit the motor components subsidiary slightly, and the lorry drivers' dispute held up deliveries in the final quarter. But the most damaging industrial action was that taken by Valor's own workers, at the Liverpool plant. Internal and national disputes cost the company between £300,000 and £400,000 in pre-tax profits. The shares dropped 9p to 74p yesterday giving a p/e of just 4.2 on stated earnings and a yield of 5.1 per cent.

## Electra Inv.

Profits of Electra Investment Trust, an Electra House company, expanded 15.55 per cent to £2.05m in the year to March 31, 1979, compared with £1.78m last time. The surplus was struck after tax of £1.78m, against £1.74m.

The net final dividend of 3.8p per 25p share is ahead of the mid-year forecast of at least 3.5p. This lifts the total 16 per cent to 5.3p (5p).

Gross revenue is up from £4.98m to £5.49m. Stated earnings are higher at 6.244p (5.403p), and net asset value is shown at 163p (139p).

# Applied Computer on target

Applied Computer Techniques (Holdings) turned in taxable profits of £372,455 in the year to March 31, 1979—in line with the forecast of not less than £360,000 at the time of the placing of 10 per cent of the capital three months ago.

Last time, the surplus totalled £246,373. Turnover rose from £2.11m to £3.11m.

Mr. Lindsey Barry, chairman, says the current year has started very well in all divisions. As expected, the net dividend is held at 0.7p per 10p share. Stated earnings are higher at 8.41p (5.67p). Tax took £149,600 (£106,228). There is an extraordinary debit of £72,836 (£23,975), and dividends absorb £21,395 (£21,204), leaving retained profit at £129,526 compared with £84,166.

# Spillers' Modern Maid loss in first quarter

## REPORTS TO MEETINGS

Spillers, the food and flour group, has run into losses in its Modern Maid subsidiary in the U.S. Mr. Michael Vernon, the group chairman, revealed yesterday.

Addressing shareholders at the annual meeting, he said that in the first quarter of the current year "our recent acquisition in the U.S. Modern Maid, did make a loss. This is a disappointment because Modern Maid is a company very well placed in the American food industry and its sales are growing strongly. The problem has really been in the factory in Indiana which was commissioned before we took the business over."

Mr. Vernon explained that the new operation had suffered from design faults and mechanical failures, but, he added, "we feel that we have got to the problem there."

After the meeting the company revealed that the losses in Modern Maid were running at about \$2m in the first quarter but that was after substantial non-recurring provisions for promotional costs, increased freight and fuel bills, pension fund contributions and other items which in all accounted for

about a half of the total losses.

On current trading elsewhere in the group Mr. Vernon told shareholders "we got off to a good start this year. Volume sales have been pretty buoyant throughout the group. In the first quarter our profits in the UK have been up to budget."

## Wimpey gets tax release

Mr. Reginald Smith, chairman of Wimpey Construction UK, has told shareholders that the group is not now seeking to obtain tax benefits from "special transactions."

Mr. Smith said: "At our annual general meeting in June, 1977, I pointed out the effects of SSAP 9 accounting standard which would have resulted in an immediate and substantial increase in the company's tax liabilities and caused major cash flow problems. Accordingly our directors employed certain special transactions designed to reduce materially the company's tax liabilities and remove cash flow difficulties."

"The company tax liability for

1976 has now been agreed with the Inland Revenue. The basis of their assessment of 1976 profits has permitted a release of £8.12m from the tax provision, and the company is not now attempting to obtain tax benefits from the special transactions."

On current trading he said operations had been affected adversely by the weather conditions in the UK. It means that once again the first-half figures would not be exciting.

The market for private houses had remained buoyant and the recent acquisition of Donald Moody would improve the return on this sector.

"The loss of work in Iran was a great disappointment after years of solid effort. However, Wimpey was expanding in North America and pursuing promising opportunities in the Far East and South America."

## John Laing warning

Sir Maurice Laing, chairman of John Laing and Son, the building and civil engineering contractors, told shareholders that "for the next two or three years it is not going to be easy to make adequate profits in the construction industry."

Sir Maurice said: "I will not at this stage forecast the likely level of profitability for 1979, except to say we will be fortunate to reach the 1978 level, and we will certainly not do so in the first half."

# NEI tendering for contracts in China

"Our future is becoming increasingly dependent on our ability to develop business in many overseas markets," Sir James Woodson, chairman of Northern Engineering Industries, told shareholders.

China, he said, is a market "which could have a great potential for NEI."

"NEI had submitted comprehensive tenders for turnkey coal-fired power stations for China," and he expected that the technical team would shortly be invited out again for more detailed technical discussions.

"Final negotiations, I hope, will commence towards the end of the year," but he added that they are expected to "be tough and protracted."

Commenting on trading elsewhere in the group, Sir James said that it had been necessary to reduce the employment levels in certain units: this had included Wolverhampton and Gateshead.

At present Rayrolle was going through a difficult phase because

of shortage of demand, increased overheads and extreme overseas competition. This had not been helped by the industrial action at the Hebburn plant in the latter part of 1978.

# Alpine Drinks little changed

BAD WEATHER, an increased loss on the leisure manufacturing side and development costs cut into the profits of Alpine Soft Drinks. In the 52 weeks to March 31 this year the group turned in taxable profits of £1.51m on turnover of £13.64m. In the previous 52 weeks the surplus was £1.44m and turnover £11.4m.

At mid-year the company was marginally ahead with pre-tax profits of £927,434, against £920,679.

The bad weather, particularly in the last quarter, hit the soft drinks side and there was a £416,000 sales shortfall, compared with internal budgets. The weather also affected the expansion programme.

The leisurewear manufacturing operation made a loss of £129,531 against a £8,978 loss. Currys Hood Leisurewear, which is being reorganised, improved

its order book in the second half and the directors are hoping for an improved result this year.

The development expenditure of £19,831 (nil) was on the new subsidiary Alpine Direct Supply. This company will sell a range of products, mainly for children, on limited credit through a newly-designed catalogue. The group intends to launch the first catalogue over 50 rounds in the Midlands this July. Marketing and cash collections are through the Alpine Soft Drinks system.

The directors do not expect a major profit contribution from the new offshoot this year. But overall they expect to make up some of the ground lost in volume sales, and to see further progress on the soft drinks side.

After tax of £788,200 (£787,000) the net profit is down from £742,895 to £731,516. Stated earnings are 10p, having fallen from 14.7p to 14.09p. The final dividend of 4.96p

net lifts the total from 8.8p to 7.57p. The managing director has waived his entitlement to interim dividends on 1,109,406 shares and to the final on 1,106,406 shares.

## DE LA RUE LIFTS FINAL DIVIDEND

The directors of the De La Rue Company announce that, following the reduction in ACT to 30 per cent, the net final dividend for the year to March 31, 1979, has been increased from 7.147p to 7.487p. This maintains the gross equivalent at the maximum permissible 16.5p.

As forecast in the preliminary statement earlier this month, there is being paid a special interim of 6p gross, equivalent to 4.3p net, for the current year. This reflects the removal of dividend restraints.

# Laporte

## Future viewed with confidence

Salient Figures	1978 £'000	1977 £'000
External sales		
Laporte and subsidiaries	110,885	102,442
Principal interox companies—attributable share	56,223	49,071
	167,108	151,513
Profit before taxation and extraordinary items	12,137	10,242
Profit attributable to ordinary shareholders	5,141	4,237
Ordinary dividends (maximum permitted)	3,498	3,151

Extracts from the Statement by Mr. R. M. Ringwald, Chairman, to the Annual Meeting held on Thursday, 14th June, 1979.

The establishment with Solvay & Cie of interox manufacturing facilities in the United States of America is going well. The construction of the hydrogen peroxide plant in Houston, Texas will be completed at the time which had been forecast and it will cost what had been forecast, and we have every hope that deliveries to customers will commence before the end of this year. Our market development work in the United States has proceeded well and there is every indication that our hopes for sales volume achievable in the first three years of operation will be exceeded.

1979 commenced badly with a great deal of industrial unrest which reached its height with the lorry drivers' dispute. Whilst neither we nor the rest of the chemical industry were directly involved, our sales and services in the early months of the year were inevitably and adversely affected by this disruption. Unfortunately, the repercussions did not stop there since the fall-off in the quality in our services to our customers abroad had, and will continue to have, a very bad effect on the creditability which we need when seeking to increase our export sales. I am happy to tell you that the losses incurred have been clawed back, but we will never know how much sales potential we have lost

for all time. The extremely serious effects this disruption had must surely strengthen our national determination that situations such as these should not arise again. As far as our business is concerned since this strike was settled, our trading position has been good, and the increasing prices which we have been able to achieve, thus stopping the margin deterioration which we have suffered from for so long, will stand us in good stead in the future. If no change in trends occurs, it seems likely that our first half year results will prove satisfactory. In the longer term inflation and rising costs are enemies of us all and these are beginning to bite hard. When you couple this with the prospect of a new energy crisis it is obvious that we must be extremely efficient to retain our competitiveness in the world. Unless our inflation rate falls to that of our major international competitors the future of the British chemical industry will be as much affected as the standard of living of our nation.

Despite these factors, our spirits are high. The hard work, spirit and dedication of our employees makes possible our belief that we have both the skill and the will to overcome obstacles within our own control and therefore we, in Laporte look to the future with a sense of confidence.

Copies of the full statement and of the Report and Accounts may be obtained from The Secretary, Laporte Industries (Holdings) Ltd, 14 Hanover Square, London W1R 0BE.



High performance chemicals for the world.

# Berek Group Limited

## Developing the future in portable energy

"The modest increase in Group sales and a decline in Group profits indicate clearly that our new products continue to be a charge on our profits."

Profit margins on conventional battery systems, particularly zinc carbon batteries, continued to be eroded at home due to rising costs particularly salaries, wages and overheads that we were not permitted to recover by the U.K. Price Commission.

Overseas, fierce competition in some countries and import controls by Governments eroded both our exports from Britain and our overseas turnover and profits.

We are striving hard worldwide to identify tomorrow's products, to develop new techniques and to train our people in new skills to serve new demands.

Greater diversity of markets, a wider range of products and improved production facilities should ensure substantial growth opportunities for the Group in the future."

Lawrence W. Orchard  
Chairman



# Berek Group Limited

Formerly Ever Ready Company (Holdings) Limited.

Key Annual Figures to:	3rd March, 1979	25th Feb., 1978
Sales to third parties	£'000 214,852	£'000 194,033
Group profit before taxation derived from:		
Domestic sales	11,128	9,022
Overseas sales	9,088	15,210
Associated Companies	83	1,158
	20,299	25,390
Profit attributable to parent company's shareholders	9,564	17,415
Earnings per ordinary share	16.4p	21.9p
Dividend per ordinary share	4.8p	4.3p

If you would like a copy of any of the following please tick the appropriate box/es, complete the coupon and return it to:

The Secretary, Berek Group Limited, Berek House, 1255 High Road, Whetstone, London N20 0EJ

1979 Annual Report ☐ Corporate Booklet ☐ Employee Report ☐

Name \_\_\_\_\_

Address \_\_\_\_\_

## Companies and Markets

## UK COMPANY NEWS

## Robertson declines to £2m ECC ahead to but looks for improvement £10.4m so far

THE FORECAST decline in year-end taxable profits at Robertson Foods, the largest producer of jams and marmalades in the UK, turned out to be from a record £2.73m to £2.04m on turnover ahead from £72.3m to £80.1m. However, the Board is certain there will be a substantial improvement in profits starting this year.

At midyear when the surplus fell from £369,000 to £768,000, the directors said it was clear that the year's profits would be lower than the previous 12 months.

In the year to March 31, 1979, the group was hit by the haulage strike which cost more than £350,000 in profits.

The export business, although it maintained volumes, made a loss because of the continued weakness of the pound sterling and the strength of sterling. But the group has recently raised its selling price to bring exports back into profit.

An increase in interest charges from £243,000 to £1,024,000—also reduced the taxable surplus. The Board says bank borrowings were contained but higher interest rates increased the charge. However, the full benefit on borrowings due to the withdrawal from the UK seasonal canning market will be felt this year.

The company, says the Board, has moved into new businesses such as breakfast cereals, fruit

juices and the home brew market, which are showing continuing growth and potential. In addition, steps have been taken to reduce costs which should bring back margins to more acceptable levels.

The taxable profit was struck after associated profits of £152,000 (nil). The tax charge is down from £363,000 to £346,000 and stated earnings per 25p share have fallen from 22.8p to 14.5p.

Because of their confidence in the future the directors are recommending an increased final dividend of 4.25p which lifts the total from 5.724p to 6.2974p net.

**comment**  
Margins at Robertson Foods continue to fall. Including a 12-month contribution of £250,000 from Unilever, acquired last December, the pre-tax profit return dropped from 3.8 to 2.5 per cent while interest charges climbed by over a fifth.

National strikes in the UK reduced the taxable surplus, but the contribution from the French subsidiary fell by almost £500,000. The price war in France is expected to limit the group's potential short term but the group appears confident that this and other moves away from its traditional, rather flat markets, will restore profitability. For the moment, however, the shares are hanging

take a good deal on trust. Down 18p to 140p yesterday, the share price indicates a fully taxed p/e of 15.7, which is plainly vulnerable and the yield of just under 7 offers little more support.

## Wm. Leech finishes ahead

DESPITE A fall from £1.48m to £1.29m in the second-half, pre-tax profits of William Leech (Builders) finished the February 28, 1979, year ahead at £2.34m against £2.2m last time.

The directors have changed the year-end date to August 31, the next accounts covering the 18 months to August 31, 1980.

They feel the company will be able to ameliorate, to some extent, the problems created during the winter months, by accelerating production in good building weather. They say this will provide a better opportunity of achieving targets.

Pre-tax figures were struck after finance charges of £734,000 compared with £688,000 and was subject to tax of £509,000 against £410,000. Net profit was £1.63m (£1.79m).

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THE BAD winter and the transport strike hit English China Clays in the first half to March 31, 1979. On turnover up from £107.9m to £123.9m taxable profits went ahead from £8.53m to £10.43m.

In the half-year to March 1977 the taxable surplus reached a record £13.5m, and the total for the year—also a record—was £22.9m.

The Board says that although few of its employees were involved in the strike, trading was hampered by picketing. Inevitably irrecoverable costs were incurred and some home and overseas sales were frustrated. In view of these difficulties the directors regard the half-year results as encouraging.

They expect the year's outcome to be satisfactory but stress that this depends on adequate fuel supplies which are vital to all divisions.

Half-year  
1978 1979  
Turnover £107.9 £123.9  
From cap. grants etc. 0.0 0.0  
Depreciation 0.0 0.0  
Pre-tax profit £8.53 £10.43  
Tax 1.50 1.50  
Profit after tax £7.03 £8.93  
Dividend £2.17 £2.17  
£1.19m (nil) for remuneration for earlier year frustrated by Government pay policies. A 1 per cent bonus was increased by £1.45m (£2.25m) to £3.5m (£4.45m) after deferred tax allowances over provision for fixed assets.

Last year the group turned in taxable profits of £24.48m.

The clay division was affected by the bad weather and deliveries to Scandinavia and the Continent were interrupted. However demand throughout the half-year was relatively strong and is expected to remain so for the rest of the year. Capacity is being expanded at home and abroad.

The quarries operations were also hit by the weather but because of frost and snow damage to roads demand for its products is expected to be high in the near future. The division is well placed to benefit from this.

The buildings division, which

was also affected by the weather, suffered from the low level of public sector housebuilding, and this side of the UK business has virtually been closed down. Private estate development continued satisfactorily. The West Indies operations performed below expectations and the group is withdrawing from that market.

On the leisure side Haven Leisure has been expanded further and bookings are excellent. Negotiations with the National Coal Board have been completed and NCB (Ancillaries) becomes an equal partner in S. and A. Geophysical. In May the company broadened its base in the industrial mineral field by acquiring Fordmin Company for £1.2m.

After tax of £1.5m, against £2.15m, net profit comes out at £8.93m, compared with £8.53m. Stated earnings per 25p share rose from 3.96p to 5.53p.

The interim dividend is raised from 1.325p net to 2.1175p. Last year's total was 3.964p.

See Lex

## Near £0.3m profit rise for Dom

AFTER PRE-TAX profits of £335,185 against £406,171 at half-way, Dom Holdings, fixing profits, advanced to £335,185 at the March 31, 1979, year ahead at a record £1.31m compared with a previous £1.03m. Turnover rose from £10.37m to £12.45m.

£550,724 tax of £639,944 (£503,724) earnings per 10p share are shown as 8.9p (8.93p). The dividend is stepped up to 6.185p (£6.445p) net with a final of 3.3838p.

Fear that the premium will shortly disappear altogether with an investors' corresponding loss of capital are understandable enough. Whether they are justified, however, is another question.

A major reason why the premium has fallen so sharply is the anticipated fall in demand for investment currency resulting from the Budget's removal of

## Gold shares: was the market wrong?

BY KENNETH MARSTON, MINING EDITOR

"WHY ON earth are gold shares so weak?" asked more than one holder on Wednesday when in a general burst of post-Budget depression the Gold Mines index of London prices suffered one of its biggest-ever falls of 25.4 to 174.5, the lowest since May 15 when bullion was just under \$254 per ounce.

The answer was that, apart from a modest easing in the bullion price to \$274—recovered to \$278 yesterday—the market was worried by the fall in the effective dollar premium to 141 per cent, almost half the rate obtaining prior to the general election six weeks ago.

The disgruntled holders of gold shares may well have been moved to observe, in strong terms, that a share price fall of this magnitude is entirely unconnected with any South African racial upheaval—was unjustified and provided an excellent buying opportunity for those who had been waiting to get in.

Perhaps second thoughts were being had in a steeper share market yesterday when, helped by the improvement in the bullion price, the gold mines index rose to 177.2. At the same time the effective dollar premium, which is contained in London prices eased further to 141 per cent.

It is true that the premium will shortly disappear altogether with an investors' corresponding loss of capital are understandable enough. Whether they are justified, however, is another question.

A major reason why the premium has fallen so sharply is the anticipated fall in demand for investment currency resulting from the Budget's removal of

the requirement for a 115 per cent cover for overseas portfolio, financed by foreign currency borrowing.

The worry is that the premium may dwindle further or be abolished, particularly in view of the UK Government's policy of relaxing exchange controls and the Treaty of Rome requirement that the dollar premium be abolished.

Some observers feel, however, that the EEC requirement carries little weight while other members, such as France, retain a framework of exchange controls. It is argued that the dollar premium could be with us for a year or two yet, moving within an effective range for the next 12 months of between 10 and 20 per cent.

At all events, the current level of 141 per cent is regarded as an acceptable risk in South African gold where good class stocks are yielding more than this—or are on a similar potential yield—based on earnings derived from the gold price.

What may have been overlooked as far as gold share investment is concerned is the Budget reduction in the top tax rate from 33 per cent to 30 per cent and the raising of the threshold for investment income surcharge to £5,000.

It means that high yielding stocks, such as gold shares, now carry more appeal to shareholders in the upper tax brackets; previously, such investors lost much of the high yield to tax. It still had to accept the degree of investment risk which accompanies a high return.

It is true that money on short

term deposit also offers a high return—getting on for 14 per cent at the moment—and with minimal risk. But of course there is no guarantee that this return will be maintained whereas yields on gold shares at present prices can be expected to increase with the mines' rising earnings.

So there is still a good case for golds as yield sweeteners in a mixed portfolio. Of the top class issues, West Driefontein, for example, yield over 13 per cent at the current premium price of 234, while similar yields are offered on Buffelsfontein, Hartbeest and Harmony.

Also giving 13 per cent-plus are Free State Geduld and Western Holdings, but the current yields are based on total dividends for the year to last September and both mines have since substantially raised their interims.

A more speculative issue at a reasonable price is 163p is Stifffontein which returns just over 10 per cent on the 1975 dividend total. Here again, the interim has been increased—albeit by less than was expected at the time—premium price of 234, while similar yields are offered on Buffelsfontein, Hartbeest and Harmony.

Meanwhile, further dividends are declared by the gold mines in the Johannesburg Consolidated group. As expected, Randfontein is raising its interim to 250 cents (145p) from 200 cents for 1978 when there was a final of 250 cents. Western Areas' increased interim of 12 cents goes against 8 cents a year ago and is below expectations as is the higher interim of 7.5 cents declared by Elsberg.

## Second half lift boosts Plysu to £1.2m—dividend up 36%

A SECOND half increase from £294,000 to £366,000 boosted taxable profits of Plysu, plastic container and domestic ware manufacturer, to a record £1.33m for the year ended March 31, 1979, against £736,000.

At halfway the directors said that the pattern of progress had continued into the third quarter and they looked forward to a good full term result.

Earnings per 10p share at the year end are shown as 21.1p (11.8p) and a final of 1.2145p net lifts the dividend from 1.5356p to 1.8811p—on dividend cover rules—an increase of 36.8 per cent.

Also proposed is a one-for-one scrip issue.

Demand for most of the company's products continued to rise, and the increased capacity installed last year now offers customers a much better service, the directors state.

During the past year £1.1m has been spent on capital equipment and directors have already sanctioned £680,000 for the current year.

Since the year-end there has been a very large increase in the

price of high density polyethylene which is Plysu's main raw material, but demand for products remains buoyant even at the new price levels.

Turnover for the year was ahead from £11.06m to £13.25m and the pre-tax figure was struck after interest £203,000 (£107,000), depreciation £672,000 (£453,000), and included associates' loss of £7,000 compared with £5,000.

Tax took £49,000 (£91,000) and the amount retained came to £1,035,000 against £591,000.

**comment**  
A continuing process of capital expenditure is paying off for Plysu. After an 8 per cent downturn in 1977-78 pre-tax profits climbed almost 64 per cent with a 3.5 point rise in margins. This year, the group is spending at least another £650,000 which should considerably expand capacity and service in the blow moulding and housewares divisions. Impetus for last year's recovery came from the containers side where firm demand for five-litre bottles and 25-litre containers more than compen-

sated for a poor soft drinks market, depressed by the cold summer. This sector accounted for some 80 per cent of group turnover with housewares contributing 17 per cent and the rest from the industrial division.

Although high density polyethylene prices (the main raw material) have risen by around 25 per cent since the end of the year, Plysu appears confident of riding out the problem. At 185p, the p/e on published earnings is 7.4. The shares yield only around 2 per cent since the final is to be paid just four days before restraint officially ends. But cover of more than 11 times reflects good potential for increased payments.

**AVENUE CLOSE**  
Pre-tax profit of Avenue Close, property investment and development company, almost doubled from £356,997 to £696,794 for the year ended March 31, 1979. And from earnings of £5,669 (2.763p) per 20p share, a dividend of 1.785p (1.625p) net, the minimum allowed, is announced.

Tax for the year took £359,769 against £190,765 and the amount retained was £230,173 (£80,404).

At the interim stage profits had risen from £2.63m to £3.37m.

Turnover 1978 1979  
£18,758 £14,774  
£114,180 £11,238

Profit before tax 1978 1979  
£6,307 £7,272  
£8,126 £9,022

Profit after tax 1978 1979  
£4,629 £5,904

Dividend 1978 1979  
£3.79 3.95p

Financing charges 1978 1979  
£1,484 £771

Profit before tax 1978 1979  
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Dividend 1978 1979  
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## Pauls &amp; Whites up to record £7.64m

A GOOD performance in the animal foods division helped Pauls and Whites to finish the March 31, 1979, year with record taxable profits of £7.64m against £5.29m. Turnover was well ahead at £183.8m compared with £144.7m.

At the interim stage profits had risen from £2.63m to £3.37m.

Turnover 1978 1979  
£18,758 £14,774  
£114,180 £11,238



The Association of  
Investment Trust  
Companies

# INVESTMENT TRUST REVIEW

The opinions expressed by contributors to this Review are their own and should not be assumed necessarily to reflect those of the Association.

## A view from outside

Three years ago, in the journalist's time-honoured role of agent provocateur, I wrote a short but acid attack on the managers of investment trust companies. The gist of it was this. If, as was the case, £100 of stocks and shares managed by an investment trust were valued on the Stock Exchange at an average of 75, then the managers of those trust companies, for all their undoubted ability, appeared to be wasting their time. Today, investment trust shares may still be bought at a big discount on their true value. But many other things have changed and the investment trust industry presents a much more modern outlook.

Fortuitously, we journalists set off on a vigorous debate in the investment trust world which had been awaited for some time. Many managers rejected the idea, then fashionable, that the traditional investment trust was rather passé. They asked: why could buyers of trust shares only be matched with sellers at such a large discount on the companies' true worth—and what could be done about it?

The blame could not be laid mainly on results. Some smaller specialised trusts, including several in the Far East, have an outstanding, if volatile, record on capital growth in recent years. The majority have not fared much, if at all, better than the share indices on capital but they have a good record for improving dividend income. For instance, a number of the large middle-of-the-road trust companies have raised dividends by an average annual rate of between 14 and 20 per cent in the past five years. Allowing for compound interest that has kept shareholders almost abreast of inflation—a feat not even matched by house prices.

Technical problems were more important. Private investors are still a minority in the stock market and they traditionally hold a higher proportion of their investments in trust shares. Meanwhile, new investors have mainly gone for unit trusts and insurance-linked schemes that can be promoted by big advertising in newspapers or by commissioned sales forces. Investment trusts cannot hope to compete directly with this. But in those days,

many seemed to have given up hope of marketing their virtues to the potential investor. To make matters worse, a lot of share issues were made near the peak of share prices in 1972. (Many were complex, few have proved successful). So instead of contracting with private demand, the supply of investment trust shares expanded. Last but not least, the currency restrictions imposed in the 1960s and the double taxation introduced at that time had cramped the companies' flexibility and their appeal in the traditional foreign, overseas investment.

It is encouraging to see how historical much of that analysis now looks.

### Important trends

Some of the easy-sounding solutions put forward by the likes of myself, such as winding-up trusts or turning them into unit trusts, have not proved fruitful, except for eliminating a few smaller trusts with little obvious future. But two important trends have emerged.

First, pension funds and city companies wanting to raise cash have made takeover bids for nearly £800m of trusts, with enormous short-term benefits to shareholders. This in turn has encouraged more investment by big institutions, if only for the rather unworthy motives of building up 'strategic' holdings either for themselves or to be in at the kill. This bargain-hunting, quite apart from reducing the imbalance of supply and demand, helps put a floor under investment trust company share prices in relation to their asset value and largely removes the fear in potential investors' minds that they might lose money by the shares selling permanently at even larger discounts on assets.

Secondly, and more positively, managers have made remarkable progress in making their companies more known and accessible to the public. The most obvious example is this year's book, already in its second edition, and the mass of important statistical information given on a single comparable basis. This is supplemented by the monthly statistics organised by The Association of Investment Trust Companies.

by Graham Searjeant, Sunday Times  
(Reprinted from The Investment Trust Year Book 1979)

panies and it is good to see that the leading stockbrokers involved now issue their daily and monthly statistics on an agreed common basis. Paradoxically, this plethora of figures focuses more attention on what the individual trusts and managers are trying to achieve—time previously devoted to abstract statistical detective work.

Individual boards of directors now often issue more informative and relevant reports to shareholders. Management groups, notably the Electric House group, have merged similar trusts to ease confusion and to make shares more easily traded. Others, like Drayton Montagu, have added their name to identify the trusts they run. In a different way, Foreign & Colonial, Touche Remnant and other management groups have taken steps to make themselves and their range of investment services better known. And for every public sign more has been going on behind the scenes.

There is plenty of work still to be done in the cause of identification. Big general trusts such as Globe or Dundee's Alliance Trust need no further message. Otherwise, few names are as explicit as GT Japan Investment Trust. There are still seven otherwise unidentified trusts starting London & ten Scottish ones. And often, in the same stable, the main reason for buying one trust's shares rather than another's will be the price on the day rather than differences in objectives.

### Final stage of modernisation

The final vital stage of modernisation, inevitably a complex and difficult one, will be to sort out and state the objectives of different trusts and tailor them to the varying needs of the 1980s. For the private investor, there will no doubt be specific emphasis on income growth, capital growth or international spread and protection against currency changes. As things sort themselves out, the big investors may be more interested in the statistical analysis of expertise they cannot match on their own.

Here the government, which did so much to damage the trusts in the 1960s, is at last helping a bit. It has lessened

double taxation of capital gains and eliminated the so-called 'premium surrender rule' on overseas investments. This rule had greatly hindered the flexibility of the big worldwide trusts, which are the backbone of the movement, to make the best of rapidly changing world conditions and it had led them into many technical difficulties with currency and foreign loans. The regime remains far from perfect, but the changes have given them a better opportunity to show their real skills as investors.

Because of this inflexibility, investment trusts have been driven to emphasise their long-term role. This was never wholly convincing. One useful by-product of the disasters of the 1970s is that investors learnt to put little store by sensational results over a few months—which so often reversed themselves.

There are genuine reasons for the long-term look of investment trusts too. When economic, currency and short-term stock market indicators point in different directions, decisions have to be made which may take some time to pay off. So do bold decisions to back developments at an early stage, which investment trusts have the opportunity to make. But we have all learnt Lord Keynes' lesson that the long-term is only a series of short-term put together and that things actually happen in the short-term. So how should we judge? Results over one year are certainly interesting, but need to have a background sketched in. Three to five year records provide a good test and allow few excuses. Managers of investment trusts know and accept that they must in future stand or fall on these tests, now so easy to make.

But there is already a new feeling of confidence abroad in the investment trust movement, a feeling that the challenges are to be relished rather than avoided. If much modernisation remains to be done, it is, I hope, a matter of time. The will is there. It is naturally disappointing for shareholders that after ups and downs, investment trust share prices still stand at the same average discount on assets as they did in the spring of 1976. But today, that discount may present a genuine bargain for investors.

## The £6,500 million information book



For only £8.45

### Investment Trust Year Book 1979

Following the success of the first Investment Trust Year Book last year, the 1979 edition is now available at £8.45 (including postage and packing). It is an essential source of information on an investment medium with assets of over £6,500 million.

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Make sure you have the information you need to take full advantage of investment trusts: expert professional management at very low cost; investment spread; freedom from dividend restraint; an international outlook; and the ability to borrow which provides gearing. The individual shareholder has additional advantages: capital gains tax concessions and the opportunity to acquire assets at a discount. Please send your cheque for the number of copies you require to:

The Association of Investment Trust Companies,  
Park House (6th Floor), 16 Finsbury Circus, London EC2M 7JL.

Please state if you are an existing shareholder in an investment trust company.

## INVESTMENT TRUSTS: net asset values

The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.

Total Assets less current liabilities	Company	Shares or Stock	Date of Valuation	Annual Dividend	Net Asset Value after deducting prior charges	Investment Currency Premium	Total Assets less current liabilities	Company	Shares or Stock	Date of Valuation	Annual Dividend	Net Asset Value after deducting prior charges	Investment Currency Premium	
(1) £million	(2)	(3)	(4)	(5)	(6) at nominal value	(7) at market value	(8) (see note g)	(9)	(10)	(11)	(12)	(13) at nominal value	(14) at market value	(15) (see note g)
VALUATION MONTHLY														
160.2	Alliance Trust	Ordinary 25p	31/5/79	8.0	298.9	308.8	15.8	12.8	Industrial & Commercial Fin. Corp.	Ordinary 25p	31/5/79	3.6	108.0	109.2
80.2	Anglo-American Securities Corp.	Ordinary 25p	31/5/79	3.3	128.7	144.2	7.8	8.4	London Atlantic Inv. Trust	Ordinary 25p	31/5/79	3.3	123.4	123.4
134.4	British Investment Trust	Ordinary 25p	31/5/79	8.7	202.9	207.1	10.4	48.3	North British Canadian Inv. Co.	Ordinary 25p	31/5/79	0.4	148.0	151.6
29.2	Capital & National Trust	Ord. & "B" Ord. 25p	31/5/79	4.6	189.1	187.6	8.3	111.9	Ivory & Sims Limited	Ordinary 25p	31/5/79	2.8	96.4	101.8
13.1	Claverhouse Investment Trust	Ordinary 25p	31/5/79	3.7	127.0	127.0	0.1	34.9	British Assets Trust	Ordinary 25p	31/5/79	0.8	72.7	74.2
12.7	Crossfields Trust	Ordinary 25p	31/5/79	2.8	95.0	95.0	3.0	15.6	Edinburgh American Assets Trust	Ordinary 25p	31/5/79	1.32	137.5	143.5
17.4	Dundee & London Investment Trust	Ordinary 25p	31/5/79	7.8	316.5	331.2	10.9	22.4	Viking Resources Trust	Ordinary 25p	31/5/79	—	—	—
99.0	Edinburgh Investment Trust	£1 Deferred	31/5/79	3.15	129.7	131.7	7.2	54.9	Keyser Ullmann Ltd.	£1 Cap. Loan Stock	31/5/79	—	189.9	—
46.3	First Scottish American Trust	Ordinary 25p	31/5/79	2.4	120.5	124.8	3.2	14.3	Throgmorton Secured Growth Trst.	Ordinary 25p	31/5/79	4.876	119.4	121.1
13.5	Grange Trust	Ordinary 25p	31/5/79	1.5	148.5	151.1	4.9	30.8	Throgmorton Trust	Ordinary 25p	31/5/79	1.85	59.4	60.5
75.9	Great Northern Investment Trust	Ordinary 25p	31/5/79	5.15	119.5	124.2	4.3	25.1	Kleinwort Benson Ltd.	Ordinary 25p	31/5/79	4.0	181.1	183.8
64.7	Guardian Investment Trust	Ordinary 25p	31/5/79	4.584	102.1	105.2	2.1	35.4	British American Invest. Co.	Ordinary 25p	31/5/79	2.45	81.9	84.0
23.8	Hume Holdings	Ord. & "B" Ord. 25p	31/5/79	2.0	111.0	111.0	7.3	45.5	Brunner Investment Trust	Ordinary 25p	31/5/79	3.0	109.8	111.2
83.2	Investors Capital Trust	Ordinary 25p	31/5/79	1.0	149.3	149.3	22.3	5.6	Charter Trust & Agency	Ordinary 25p	31/5/79	4.8	127.4	127.4
17.6	Jardine Japan Investment Trust	Ordinary 25p	31/5/79	4.2	188.6	172.2	9.1	3.6	English & New York Trust	Ordinary 25p	31/5/79	2.578	72.7	73.7
38.8	London & Holyrood Trust	Ordinary 25p	31/5/79	5.9	269.9	274.0	15.3	7.5	Family Investment Trust	Ordinary 25p	31/5/79	3.46	120.0	122.6
26.7	London & Montrose Invest. Trust	Ordinary 25p	31/5/79	1.95	158.1	160.6	9.0	54.9	Jos Holdings	Ordinary 25p	31/5/79	3.0	102.3	105.7
50.8	London & Provincial Trust	Ordinary 25p	31/5/79	1.7	261.7	255.0	1.9	23.2	London Prudential Invest. Trust	Ordinary 25p	31/5/79	—	—	—
121.1	Mercantile Investment Trust	Ordinary 25p	31/5/79	4.50	292.70	292.70	22.90	13.2	Merchants Trust	Ordinary 25p	31/5/79	4.06	177.0	183.4
28.3	North Atlantic Securities Corp.	Ordinary 25p	31/5/79	3.07	128.0	132.9	7.6	240.7	Raeburn Investment Trust	Ordinary 25p	31/5/79	3.0	129.3	131.9
55.1	Northern American Trust	Ordinary 25p	31/5/79	3.05	129.7	142.9	8.2	12.1	Remney Trust	Ordinary 25p	31/5/79	4.2	180.9	184.7
8.6	Save & Prosper Linked Invest. Trust	Capital Shares	31/5/79	—	181.4	181.4	—	20.9	Martin Currie & Co., C.A.	Ordinary 25p	31/5/79	4.9	167.8	172.4
133.6	Scottish Investment Trust	Ordinary 25p	31/5/79	3.0	138.0	142.0	6.7	10.3	Canadian & Foreign Invest. Trust	Ordinary 25p	31/5/79	2.4	88.1	90.0
82.6	Scottish Northern Investment Trust	Ordinary 25p	31/5/79	3.8	149.5	157.2	6.0	25.3	St. Andrew Trust	Ordinary 25p	31/5/79	7.05	243.1	261.5
108.4	Scottish United Investors	Ordinary 25p	31/5/79	1.5	81.1	83.5	6.0	148.0	Scottish Eastern Investment Trust	Ordinary 25p	31/5/79	1.85	108.7	109.3
53.5	Second Alliance Trust	Ordinary 25p	31/5/79	8.3	255.5	263.4	13.7	37.5	Scottish American Invest. Co.	Ordinary 25p	31/5/79	1.9	100.7	103.5
4.1	Shires Investment Co.	Ordinary 25p	31/5/79	7.738	160.9	160.9	—	7.3	Scottish Eastern Invest. Trust	Ordinary 25p	31/5/79	1.95	109.0	109.0
44.5	Sterling Trust	Ordinary 25p	31/5/79	6.5	250.9	257.2	13.1	179.7	Scottish Western Investment Co.	Ord. & "B" Ord. 25p	31/5/79	2.0	115.8	118.2
81.1	Technology Investment Trust	Ordinary 25p	31/5/79	4.44	180.9	182.3	8.6	23.0	Second Great Northern Inv. Trust	Ord. & "B" Ord. 25p	31/5/79	—	—	—
23.5	United British Securities Trust	Ordinary 25p	31/5/79	6.53	278.9	285.6	13.2	7.5	Schroder Wagg Group	Ordinary 25p	31/5/79	4.6	188.0	204.1
90.5	United States Debenture Corp.	Ordinary 25p	31/5/79	4.05	124.3	128.4	6.4	7.3	Ashdown Investment Trust	Ordinary 25p	31/5/79	24.75	£138.60	£142.90
127.9	Do. Do.	Conv. Loan 1983	31/5/79	53.00	£138.70	£141.30	£7.00	32.1	Do. Do.	Conv. Loan 1988/93	31/5/79	3.0	121.1	121.1
64.6	Do. Do.	Ordinary 25p	31/5/79	3.9	150.2	152.7	8.3	33.0	Australian & International Trust	Ordinary 25p	31/5/79	5.7	212.7	220.1
17.4	Monks Investment Trust	Ordinary 25p	31/5/79	1.85	89.4	70.0	2.4	14.4	Broadstone Investment Trust	Ordinary 25p	31/5/79	4.4	246.1	251.9
48.0	Waterbottom Trust	Ordinary 25p	31/5/79	5.8	276.6	289.1	12.0	7.8	Continental & Industrial Trust	Ordinary 25p	31/5/79	5.5	246.1	251.9
25.1	Baring Bros. & Co. Ltd.	Ordinary 25p	31/5/79	1.9	79.7	83.2	3.4	11.4	Trans-Oceanic Trust	Ordinary 25p	31/5/79	3.3	151.6	154.3
19.3	Outwich Investment Trust	Ordinary 25p	31/5/79	1.7	94.9	95.0	7.8	77.8	Westpool Investment Trust	Ordinary 25p	31/5/79	23.00	£136.40	£138.90
43.4	City Financial Administration Ltd.	Ordinary 25p	31/5/79	3.35	244.6	247.3	10.0	14.1	Do. Do.	Conv. Loan 1989/94	31/5/79	—	—	—
83.3	"Investing in Success" Equities	Ordinary 25p	31/5/79	3.587	124.7	141.1	8.0	14.1	Stewart Fund Managers Ltd.	Ordinary 50p	31/5/79	2.95	119.7	120.8
14.3	East of Scotland Invest. Managers	Ordinary 25p	31/5/79	1.95	62.2	62.4	2.7	34.7	Scottish American Investment Co.	Ordinary 25p	31/5/79	1.8	54.7	54.7
8.9	Aberdeen Trust	Ordinary 25p	31/5/79	1.3	60.7	60.7	2.9	34.8	Scottish European Investment Co.	Ordinary 25p	31/5/79	2.25	95.3	98.2
27.7	Edinburgh Fund Managers Ltd.	Ordinary 25p	31/5/79	1.5	62.2	62.4	2.7	45.1	Atlas Electric & General Trust	Ordinary 25p	31/5/79	2.55	82.6	87.4
30.2	General Japan Investment Trust	Ordinary 50p	31/5/79	4.0	124.9	127.2	4.3	32.5	Bankers' Investment Trust	Ordinary 25p	31/5/79	2.75	86.5	100.9
7.9	General Scottish Trust	Ordinary 50p	31/5/79	55.50	£138.60	£161.50	£35.50	45.1	Cedar Investment Trust	Ordinary 25p	31/5/79	2.76	83.1	97.4
5.8	Do. Do.	Conv. Ln. 1985/2000	31/5/79	12.5	397.4	397.4	20.8	47.2	City of London Brewery	Ordinary 25p	31/5/79	2.1	108.3	108.3
24.6	Wemyss Investment Co.	Ordinary 50p	31/5/79	5.5	—	—	—	185.4	Continental Union Trust	Ordinary 25p	31/5/79	2.1	108.3	108.3
11.3	Electra Group Services Ltd.	Ordinary 25p	31/5/79	5.5	—	—	—	44.5	G.L.R.P. Investment Trust	Ordinary 25p	31/5/79	2.15	81.7	83.9
24.6	Electra Investment Trust	Ordinary 25p	31/5/79	8.0	—	—	—	74.2	International Investment Trust	Ordinary 25p	31/5/79	2.94	113.7	118.9
11.9	Globe Investment Trust	Ordinary 25p	31/5/79	3.4	130.9	134.9	4.8	40.5	Sphere Investment Trust	Ordinary 25p	31/5/79	4.0	175.9	180.4
14.5	Temple Bar Investment Trust	Ordinary 25p	31/5/79	16.00	£141.40	£145.70	£3.20	13.1	Trustees Corporation	Ordinary 25p	31/5/79	4.85	225.4	231.5
75.8	F. & C. Group	Ordinary 25p	31/5/79	15.00	£141.40	£145.70	£3.20	3.4	Do. Do.	Ordinary 25p	31/5/79	4.2	167.4	171.0
18.8	Alliance Investment Co.	Ordinary 25p	31/5/79	3.4	130.9	134.9	4.8	12.2	Valuation THREE-MONTHLY	Ordinary 38p	30/3/79	4.0	121.1	123.0
234.6	Cardinal Investment Co.	Deferred 25p	31/5/79	16.00	£141.40	£145.70	£3.20	8.1	Safeguard Industrial Investments	Ordinary 38p	30/3/79	—	—	—
6.8	Do. Do.	Conv. Loan 1985/87	31/5/79	15.00	£141.40	£145.70	£3.20	17.9	City Financial Administration Ltd.	1p Cap. Ord.	29/5/79	—	127.6	127.6
200.8	F. & C. Euroinvest	Ordinary 25p	31/5/79	15.00	£141.40	£145.70	£3.20	19.5	Ascom Securities	Ordinary 25p	31/5/79	5.45	266.7	270.9
31.9	Foreign & Colonial Invest. Trust	Ordinary 25p	31/5/79	15.00	£1									

## SEC to decide soon on disclosure

MR. HAROLD WILLIAMS, chairman of the Securities and Exchange Commission, said here this week that a recent five-man study of West European Regulatory Commission procedures made him heightened his awareness of the difficulties that foreign companies claimed in meeting the requirements to get a listing on U.S. securities markets.

The SEC, he said, did not want to operate at a double standard on financial disclosure between U.S. and foreign companies. The commission is expected to rule shortly on the so-called "S-E-K" question concerning the amount of information that foreign companies must make public to investors in order to be listed on the U.S. But he said the SEC would be concerned if U.S. investors

were deprived of food, equity opportunities in foreign companies, or had to send their capital abroad to take advantage of the U.S. market, and so on.

After talks in Berlin, France, Germany, the Netherlands and Switzerland, Mr. Williams said that the U.S. government was about U.S. disclosure rules, particularly on lines of business by product or geographical area, and on the financial and cultural traditions very different from the U.S., he said.

At the same time, he detected no great interest in Europe in U.S. listings, partly because companies based there often had no need to borrow in the U.S., or if they did, they found it difficult to transfer the often high debt-equity ratios in their books

The SEC has voted to warn accounting firms and their corporate clients that a number of "so-called conflict-of-interest" accountants offer may impair their independence - and so breach SEC rules.

The SEC's action comes as the major accounting firms have been drawing increasing fees by offering their clients management advisory services, and as the U.S. Securities and Exchange Commission's professional staff, the regulatory

agency, the public Oversight Board, *concluded* that new restrictions on such management advisory services are not needed.

The SEC, however, has listed a number of services which suggests auditors probably should not carry out for their clients, although it is not taking the step of banning them.

Among the services listed are: preparing financial statements, plant surveys, consulting on pensions, employee benefit surveys, public opinion polls and technological testing. However, because of cost advantages, internal accounting control reviews and tax services are not being listed by the SEC.

But auditors who feel auditors should not provide for their clients.

# Warner Lambert

**MORRIS FLAINS**—Warner Lambert has filed a complaint against Gillette, accusing the shaving gear manufacturer of violations of Antitrust Laws, unfair competition and breach of contract.

The complaint by Warner Lambert, which sells electric razors and blades under the Schick name, accuses Gillette of monopolization and attempts to monopolize the non-electric shaving industry.

Warner-Lambert said its suit charges that Gillette has "employed its monopoly position to force competitors in the sale of razor cartridges and that Gillette seeks to pre-

# not new

BY JOHN EVANS

EURODOLLAR bond prices gave up some ground yesterday as the market's recent rally lost momentum.

The continued build-up in new issues and uncertainty ahead of the latest U.S. money supply and industrial output statistics overshadowed trading according to dealers.

The U.S. industrial holding company, IC Industries, is launching a \$75m 12-year bond. The issue offers a new twist to the convertible/fixed rate formula seen on a couple of recent issues.

The bond will carry a floating rate of interest of 3/4 percent above Eurodollar inter-

able for the first seven years of the 15-year life.

Finland's TVO chose another method when it offered \$30m of bonds under which conversion to a fixed rate was automatically triggered by falling Eurodollar rates, and not at the investor's option.

Lead manager for this latest issue, Banque de Paris et des Pays Bas, considers that it formula gives investors added protection against falling interest rates. Invitation telefax for the bond, which has a 10-year average life, were being sent out last night.

Among new issues freed from

# prices

heavily oversubscribed. But drifted to 994-991 in initial trading.

In pre-market trading, several other issues were moving well. The \$55m of GTE bonds were indicated as less if to one, while the \$100m Unilever issue was quoted at less 11 to 1; and, as reported by dealers to have already been sold out.

The market in foreign Deutsche Marks Eurobonds was largely nominal, due to the closure of German centres yesterday.

The \$100m seven-year issue for the International Development Bank has been priced a nar. by the lead managers.

# GTE wins battle over Telenet

By Robert Gibbison in Montreal  
BRASCAN stockholders offered just over 10m shares in response to the bid by Edper Equities for a maximum of 5m Brascan shares at C\$2.5 a share. This means that Edper, which is two-thirds owned by the Peter and Edward Brentman interests, and one-third by the Patino mining family, will take up 49.51 per cent of the total shares under the offer on a pro rata basis.

This completes Edper's takeover of 50.1 per cent of Brascan, the large Toronto-based holding company which controls assets of C\$ 6bn in assets in the financial and resource products and services sectors.

Earlier, Edper and Patino forced Brascan to drop a U.S.\$1.2bn bid for the Woolworth merchandising giant.

Brascan share trading was halted now in the wake of the Canadian exchanges yesterday morning, but was expected to re-open shortly.

**GENERAL Telephone Elec-** he U.S. has won its legal battle to be able to take over Telenet, the company which operates a net work for switching computer data. The take-over, valued at \$55m throughout the U.S. is an important move in the legal and commercial struggle for dominance of the growing data communications market. As telephones move into the computer era, the distinction between information sent through the telephone network and the transmission of computer data is beginning to disappear. At the same time, new techniques like facsimile transmission and electronic mail are opening the possibility that computer networks will compete with ordinary letters sent by surface mail. The acquisition of Telenet by

GTE therefore puts the company into a good strategic position against the other giants of the computer and telecommunications industry. International Business Machines is moving into the data communications; business through its participation in Satellite Business Systems. ITT also has ambitious plans in the field, and both companies will come up against the much debated monopoly of American Telephone and Telegraph over the telephone transmission network.

GTE's acquisition of Teletest may prove an important factor in its exploitation of Viewdata, the electronic informations system for which it has taken a licence from the British Post Office through INSCAP, the Government's software marketing company.

Viewdata, which can link a modified television set to a com-

puterised library of information was originally designed to be a telephone network, but it could equally well be adapted to use a data network like Teletel.

GTE issued 2m shares to Telenet stockholders yesterday at a market value of \$55m in exchange for 3.7m Telenet shares. The deal went through a day before CTR's deadline for withdrawing its offer. At the last minute the Federal Communications Commission withdrew some of its more onerous conditions for the acquisition.

The FCC had been insisting that GTE and Telenet should be run as entirely separate financial entities, so that GTE would be unable to cross-subsidise Telenet. These conditions were unacceptable to GTE, have not been modified and a compromise has been reached.

cartridges can be used with the newly-announced Astra Razor.

The company said the impact of Gillette's programme is to deny consumers "freedom of brand choice, require the trade to carry unnecessary blade inventories and restrict the sale of razors to Gillette, Wm. L. Lambert and other blade manufacturers from competing against Gillette," the dominant factor in the non-electric shave market.

In Boston Gillette denied the allegations by Wm. L. Lambert. "We deny all allegations in the complaint as we understand them and will vigorously defend ourselves against all these claims," said Mr. David Farnsch, vice-president corporate relations.

"We are satisfied that the decision and introduction of the 'Astra' Invitation Razor fully commutes with all applicable laws."

interest option was only available to the company's common stockholders.

## Strong second by Eagle-Picher

CINCINNATI — Eagle-Picher Industries, a chemicals and machinery group, expects business to continue strong in the 1979 fiscal second half, with the rate of earnings gain for the year above that of its trend for the past 10 years.

The company, which earlier reported improved 1979 first-half results, said its earnings per share had grown at 10.9 per cent annual compounded rate over the past 10 years.

## Bank shares

and half seen  
cher group

In fiscal 1978 ended November 30, Eagle-Picher earned \$2.70 a share.

Eagle-Picher noted that it has been experiencing increased demand for its products going into smaller cars which has offset volume losses due to lower sales levels for full size autos.

Eagle-Picher said, however, that profit margins tend to be lower on these types of parts and will affect its automotive group's performance.

Reuter

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suspended!

# Warning for Canadian borrowers

By Our Montreal Correspondent

**COMPANIES HAVE** been advised to raise new funds as soon as possible, because interest rates may climb higher and the money market tighten, says Mr. Peter Campbell, life president of Wood Gundy, Canada's largest investment concern.

Short-term interest rates are probably not yet peaked and longer-term rates have hit their bottom level, Mr. Campbell, said in Toronto.

## Harding Carpets shows increased loss

Scott, Foresman and Co., whose principal business is textbooks, raised net earnings to \$27.85m from \$23.09m for the year ended April 30, writes our financial staff. Sales increased to \$235.2m from \$189.9m and earnings per share improved to \$2.40 from \$2.00. The quarterly dividend is being raised to 20 cents a share from 16 cents.

**HARDING CARPETS**, one of Canada's largest carpet producers, reports a second-quarter loss of C\$736,000 against a loss of C\$463,000 a year earlier, on sales of C\$16m against C\$18m. Both figures exclude extraordinary items.

The half-year loss was C\$1.2m. against a loss of C\$919,000 a year earlier, excluding extraordinary items.

Second-quarter results were poorer than expected, the company said, because of a five-week strike at its Quebec plant.

The carpet-producing industry in Canada has been suffering from over-capacity and demand may be affected this year by a lower rate of new office and home construction.

**FT INTERNATIONAL BOND SERVICE**

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on June 1.

[illegible]

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## GM reaffirms dividend policy

**NEW YORK** — A General Motors Corporation spokesman denied news reports of "a lower dividend in the near future" and reiterated the company's policy to "pay dividends which over the longer term will compensate for inflation and provide a real return to stockholders on

In a short statement, General Motors pointed to the recent increase in the company's regular quarterly dividend rate to \$1.15 a share in the second quarter of this year as well as cash dividends in the first six months.

GM said it "remains confident regarding the current outlook both for the economy and for car sales. There has been no change in the dividend policy of GM which is to distribute the maximum amount from current earnings to the stockholders and the indicated capital needs of the business."

In the statement, GM reiterated that it is currently forecasting capital spending at \$5.5bn in 1979 and in the \$6bn area in 1980.

[illegible][illegible]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383
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STREAN International

and Markets  
Companies

## INTERNATIONAL COMPANIES and FINANCE

St. Gobain  
may take  
Honeywell  
Bull stake

By Our Paris Staff

M. ROGER MARTIN, the chairman of Saint-Gobain-Pont-Auxois, has confirmed that the company would like to take a large stake in Cii Honeywell Bull, the French computer group which is just emerging from a period of state-assisted reorganisation.

Speaking to shareholders at the St. Gobain annual meeting, M. Martin said that the project had been under evaluation for some time and was not yet finalised.

But he made it clear that the group was planning its hopes on a diversification into the electronics and information field.

He also expected this year's turnover to show a 10 per cent rise on the FFfr 34.2bn (\$7.74bn) of 1978.

Rumours of changes in the French shareholdings in Cii Honeywell Bull have been circulating for some time. The main hope for St. Gobain is that it can buy out the 30 per cent stake held by the Compagnie Generale Electrique (CGE), the French electrical group, in Machines Bull, the majority shareholder in Cii Honeywell.

CGE said earlier this week that it was studying proposals for the future development of the French computer company, in which Honeywell Information Systems of the U.S. holds a 40 per cent shareholding.

CGE's remarks indicate that tough negotiations are going on between the two companies and the French state, which is also a shareholder in Machines Bull.

But it is widely believed that the electrical group would not be averse to a sale on the right terms because of its own interest in the information systems industry in which Cii has been developing its activities.

St-Gobain's objective is to move into a dynamic sector which can help to improve on the sluggish earnings record in its traditional businesses such as flat glass, packaging, fibres and asbestos. The opportunity for the company to make this change lies in its strong cash resources.

Although M. Martin told shareholders that the group's reorganisation policy was beginning to throw up signs of an improvement in France, the forecast for sales growth stands at about the same level as last year's 10 per cent. This will allow the company to stay roughly level with the projected rate of inflation.

NCR acquires  
data concern

AUGSBURG — NCR Deutschland GmbH subsidiary of the NCR Corporation of the U.S., has acquired Data Pathing Europa GmbH (DPE) of Cologne, a company specialising in effective source data management systems.

AP-DJ

## Rhône-Poulenc in U.S. expansion

BY TERRY DODSWORTH IN PARIS

RHÔNE-POULENC, the diversified French chemicals company, will be investing between FFfr 200m and FFfr 300m (\$68m) a year in its attempt to establish itself as a significant force in U.S.

The company is also aiming to broaden its business base in America, with interests ranging from chemicals and agro-chemicals to the information and communications industry and pharmaceuticals.

Outlining these plans in Paris yesterday, M. Gaetano Pirrone, deputy managing director of Rhône-Poulenc, said that profits of the main holding company in the U.S. should rise to \$8m this year after a return of \$2m in 1978 and \$1m in 1977. The

results will be influenced by the planned absorption of Anken Industries, its recent acquisition, which will bring in pre-tax profits of some \$5m.

These profits will be offset for tax purposes against losses carried forward on the American operations, which had reached "very substantial" proportions by 1976.

The French group, a late arrival on the U.S. scene compared with most other European chemicals companies, is also planning more acquisitions. But these will be mainly aimed at consolidating its position. The central lines of its activities in the U.S. have now been established following the acquisition of Anken in the information

and communications sector.

As a result of the merger of Anken with Rhône-Poulenc Incorporated the group will have two main operating arms. Rhône-Poulenc Chemical, embracing present activities, and Rhône-Poulenc Systems, the former Anken interests. The third branch of business, pharmaceuticals, will be maintained through Morton Norwich Products, in which Rhône-Poulenc has a 20.5 per cent stake.

These combined operations will have a turnover of approaching \$300m this year. About 60 per cent of the business is in fine chemicals, 25 per cent in agro-chemicals and 15 per cent in specialised products

such as vitamin A and vitamin E.

● The French government has shelved a project under which it would create a holding company to manage the state's interests in the two French aviation companies Société Nationale Industrielle Aérospatiale (SNIA) and Société des Avions Marcel Dassault-Breguet Aviation, Beuter reports.

Aérospatiale is wholly state-owned, and the Government has held a 21 per cent interest (with double voting rights) in Dassault for the last two years. The government had originally intended to co-ordinate the activities without affecting their autonomy or their identity.

## Lurgi sees peak order inflow

BY GUY HAWTIN IN FRANKFURT

LURGI, the West German heavy engineering group, is expecting 1978-79 to be a record year for orders. Already projects worth some DM 2.6bn (\$1.36bn) have been firmly booked and as others are in course of negotiation, the figure could be far higher when the business year ends on September 30.

Dr. Dietrich Natus, Lurgi's chief executive, said that the order inflow far exceeded the group's plans and was well above the previous year's levels. However, it had been generated by a few large projects and, had they failed to materialise, there would have been a "catastrophic" decline in the value of bookings.

He warned that the earnings potential of the orders booked had declined in relation to the volume. He blamed this on increased costs and rising competitive pressure.

Even so, the group's order book currently stands at DM 3.8bn compared with DM 2.5bn at the end of 1977-78 business

year — also a good year for the group. The order inflow shows a striking improvement over 1977-78's DM 1.46bn, which, itself, was slightly higher than the previous year's level.

Dr. Natus expected the improved performance to continue into 1980, taking the group's annual sales up to a new high of DM 2bn. In 1977-78 group sales stagnated at about DM 1.5bn although earnings were slightly higher in the previous year.

But the group — a subsidiary of Metallgesellschaft — is heavily dependent on overseas business and this is causing the management concern. Orders remained weak at only 16 per cent of the total inflow in 1977-78.

In contrast, some 40 per cent of bookings came from Communist bloc countries. Orders from members of the Organisation of Petroleum Exporting Countries accounted for 18 per cent of orders, while developing countries generated 11 per

cent; western Europe and other industrial countries placed 15 per cent of the bookings. In 1978-79, the group's reliance on overseas business increased as a substantial chunk of the orders came from China.

The management's main fears are further fluctuations in the world's leading trading currencies — particularly a renewed weakening of the dollar — and the growing tendency for governments to subsidise exports.

Lurgi is still managing to do most of its business on a Deutsche-Mark basis, but Dr. Natus said there was a growing trend for customers to choose the dollar for the contract currency. This was particularly true of the Chinese. This meant that Lurgi, which places large orders for equipment with outside suppliers, could be forced to foreign manufacturers in order to stabilise its price.

Profits rise  
as sales  
decline at  
Esso AG

HAMBURG—Esso A.G., the West German oil giant, Exxon, had 1978 net profit of DM 253m (\$132.5m), which showed a sharp improvement from a 1977 loss of DM 56m.

Esso sales actually declined 1.8 per cent to DM 12.455bn last year from DM 12.68bn in 1977, while sales of oil products rose 2 per cent to 20.3m metric tons from 19.9m tonnes.

The company ascribed its sharply improved earnings to a number of measures. Esso initiated some time ago to increase profitability.

Refinery production had been adjusted to the increased demand for gasoline and light heating oil, and energy savings measures were instituted in the conversion at refineries of primary energy into secondary energy.

Gasoline accounted for 23 per cent of the company's 1978 sales, up from 30 per cent in the preceding year, while the share of light heating oil in sales rose to 54 per cent from 47 per cent.

It benefited from a stabilisation of prices on the West German market for petroleum products and from the fact that the sharp rise of the Deutsche Mark against the dollar had allowed crude oil procurement at advantageous conditions.

In 1978, Esso's capital spending rose 7 per cent to DM 450m from 1977.

Esso said that it and its parent Exxon, were more affected than other oil companies by the estimated 1979 supply shortage of 5 per cent not only because Exxon had lost its share in the production of the Iran consortium but also because other oil companies and producers are not delivering the quantities they traditionally used to supply to Exxon.

These supply shortages cannot totally be covered by short-term purchases elsewhere, according to Esso and the company advised its customers and partners recently that it would not be able to totally cover all their requirements.

In the light of this Esso said it would try to contribute to adjusting demand to limited supplies by constantly pointing to the need to save energy and would attempt to counter inflationary trends through a moderate price policy. Esso would conduct a careful purchasing policy so to avoid unnecessary price rises on international oil markets and build up stocks to safeguard the market supply in the coming winter.

AP-DJ

Activity in  
new issues  
eased by Swiss

By Our Financial Staff

A SHARP CUTBACK in new issues activity on the Swiss capital market is proposed for the third quarter of this year.

The Swiss Capital Market Commission has set at SWFr 5.2m the amount of new money to be raised on the domestic bond market during the three months to September. Against the third quarter of 1978, this figure represents a decline of a fifth.

The second quarter of 1979 saw SWFr 1.30bn of new money raised, while the third quarter of last year produced new funding of SWFr 1.05bn.

Taking in the summer holiday "lull," the third quarter is traditionally a slack period. Even so, for 1979 it appears likely to coincide with a bout of prolonged uncertainty for the bond market.

Against a background of rising capital outflows in line with the foreign exchange recovery of the dollar, the market in Zurich has become unsettled. The situation prompted the Swiss central bank to move earlier this month to boost bank liquidity.

Swiss chemical concern Ciba-Geigy is to acquire the capital of S. J. Tutag of the U.S. for some \$35m. Tutag, which is based in Colorado, employs 380 persons in the manufacturing and marketing of pharmaceuticals and proprietary goods.

The deal is the most recent in a series of Ciba-Geigy acquisitions in the U.S.

Belgian chemical group  
continues recovery

THE SHARP turnaround achieved last year by Union Chimique Belge (UCB), the Belgian chemical and packaging firm, has been followed by further progress so far in 1979, although there is still caution over lasting recovery prospects.

Addressing the annual meeting, M. Paul Foriers, the chairman, said the recent level of activity "has been good, better even than we anticipated." This was particularly true of the chemical sector, where demand had been lively.

UCB, which has not paid a dividend since 1976, moved sharply out of the red last year

with a net profit of Bfr 103m (\$3.4m) compared with a 1977 deficit of Bfr 397m.

M. Foriers said that there could be no real certainty about prospects until final consumer demand showed clear signs of increasing "and thus of a healthier market position, which is the precondition of a durable recovery."

Despite the climb from loss to profit last year, UCB still has some way to go before returning to its 1976 group earnings level of Bfr 184m. Exceptional profits of Bfr 129m before tax aided the 1978 profit picture considerably. Total sales gained a mere 3 per cent to Bfr 17.7bn.

## DG BANK

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June 1979

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	1978	1977
Group turnover	FF 000's 6,544,736	FF 000's 6,320,726
Total profit before taxation	362,584	358,027
Total profit after taxation	163,371	181,527
Profit after taxation and translation gains attributable to members of the Company	220,105	159,715
Cash-flow	695,053	632,412
Earnings per share	FF 38.83	FF 34.35
Dividend per share	FF 13.40	FF 11.18
Tax credit per share	FF 6.70	FF 5.59
Total dividend per share	FF 20.10	FF 16.77

#### Salient points from the Report to the Shareholders

- The net profit attributable to members of the Company shows an increase of 38%. This is principally due to:
  - the increase of 31% of the result of the operating group "Cements and Concrete in France" due mainly to the lifting of Government control of selling prices at mid-year,
  - the profit of 8.9 million francs of the operating group "Refractory products and furnace construction", against a loss of 8.5 million francs in 1977.
- The translation gains for the year amounted to 37.6 million francs, against 8.7 million francs in 1977 (shown as extraordinary items). These represent gains on translation of the net monetary assets of foreign companies, particularly in Canada.
- It is proposed to the next Annual General Meeting to fix the dividend per share at FF 13.40, an increase of about 20% over 1977. This dividend will also apply to the new shares issued in October 1978, which will result in a 47% increase of the total distribution.
- Profits are expected from all the operating groups in the coming year.

Lafarge  
28, rue Émile Mérieux, Paris 16e.  
Tel: 502 11-10. Telex: 620804 F.

Companies  
and Markets

## INTL. COMPANIES and FINANCE

### SONY CORPORATION

# U.S. accounting rule holds back profits

By RICHARD C. HANSON IN TOKYO

CONSOLIDATED net profits of Sony Corporation fell by 35.6 per cent to ¥7,880m (\$55.8m) in the six months to April 30, from ¥12,220m in the same period of the previous year—but would have doubled but for the following of the U.S. Federal Accounting Standards Board guidelines, the company said.

Under the impact of the U.S. accounting requirement, FASB 8, applying to foreign currency translations, net income for the second quarter alone was down by 49.3 per cent to ¥3,460m.

Consolidated sales reached a record of ¥294.31bn (\$1.5bn) for the first half, up 15.2 per cent, and totalled ¥1,438.7bn in the quarter, for a gain of 20.7 per cent.

The FASB problem apart, officials were pleased by the results, pointing to a substantial rise in pre-tax operating profit of 98.0 per cent to ¥34,570m in the half, and the sharp gain of 199.2 per cent to ¥19,260m for the quarter. They said that strict measures to rationalise production costs and higher value-added product sales were behind the increases.

Overseas sales accounted for 56.9 per cent of the total, up 13.4 per cent to ¥169,540m while domestic sales gained 17.8 per cent. Home video tape recorder sales gained 36.3 per cent to ¥54,900m, while television sales rose 4.6 per cent to ¥30,460m. The company expects that television sales this year will rise to over 2m sets, from 1.9m last year.

Video tape recorder sales were boosted by the introduction of new models with longer playing times. A cheaper model has just been announced.

Magnetic tape sales were brisk, accounting for 10 per cent of all sales, and pushing miscellaneous sales up 27.3 per cent to ¥75,370m.

Sony's overseas sales to Africa, the Middle East and South-East Asia, about one-third of the total, were up by nearly 50 per cent, while sales in Europe gained about 30 per cent. U.S. sales in yen terms, also roughly one-third of the total, were down a little after consolidation, despite a dollar-based sales increase of about 15 per cent, as a result of the FASB requirements.

Sony said that if accounting procedures used up until 1976 concerning translation of foreign currencies from foreign subsidiaries had been applied there would have been a sharp increase in profit. Sony officials are advocating the abandonment of the FASB rule which calls for translation of those foreign currency transactions at historical rather than at current rates.

A good part of the accounting loss is not subject to favourable tax treatment in Japan.

Sony's parent company results lend weight to the group's statement on FASB's effect on consolidated net profits. The parent's net profit in the half was up 23.8 per cent to ¥11,355bn, on a sales gain of 10.7 per cent to ¥217.92bn.

Accounting procedures have played havoc with Sony's results over the past year. In one quarter they made net profit artificially high, because of a sharp appreciation of the Japanese currency. This has not helped the company's image as it has attempted to pull out of a period of difficulties.

Despite the main problems in the world economy, Sony expects that good progress will be made during the second half of this fiscal year. It does not expect any adverse impact on sales even if the U.S. slips into a long-awaited economic recession—seeing most of its customers as being in income brackets which will not be squeezed by a slow-down.

## Earnings increase at Volkskas

By Our Johannesburg Correspondent

VOLKSKAS — South Africa's major Afrikaner-oriented bank, with diversified industrial interests—increased its taxed profits by 35.1 per cent, to R22.8m (\$27m) in the year to March, from R16.8m the previous year, as a result of largely improved contributions from its sugar subsidiary, Transvaal Sugar.

The preliminary report indicates that Volkskas' net asset value has increased to R3.08bn from R2.92bn. An improvement in banking operations also played an important role in lifting earnings, which amounted to 103.6 cents a share, against 78.1 cents. The final dividend is raised 3 cents to 15.5 cents, bringing the year's total payout to 26 cents, compared with 22 cents.

### Saudi British Bank

The Saudi British Bank opens its new branch at Qatif on Saturday as part of an expansion which earlier this year added a branch in Jubail to those in Jeddah, Riyadh, Alkhobar and Dammam.

## Petronas reveals profits above U.S. \$300m in 1978

By WONG SULONG IN KUALA LUMPUR

PETRONAS, the Malaysian state oil company, it is revealed, made profits of 674m ringgit (U.S.\$302m) in 1978, against 662m ringgit in 1977 and 250m ringgit in 1976, Datuk Hussein Onn, the Prime Minister, told Parliament.

However, from 1976 to April this year, Petronas incurred a book loss of 95m ringgit as a result of the depreciation of its holding in U.S. dollars.

This is the first time that profit figures have been released for Petronas, which is registered as a private company. In 1975, the first full year of operation, it made a loss of some 500,000 ringgit.

The information was given in reply to a question from an

Opposition member, who asked whether Petronas would consider switching its investments away from U.S. dollars.

Datuk Hussein said that there was no intention to switch substantially away, because Petronas was involved in several major projects that had to be paid in U.S. dollars. Also, such investments were yielding satisfactory rates of return.

Since August last year, however, the current income of Petronas had been converted into Malaysian currency, and invested at home.

Meanwhile, a visiting oil mission from the Canadian province of Alberta has expressed optimism of prospect for co-

operation between Petronas and Alberta on development of oil.

Mr. Sid Lavery, the mission leader, said that the team discussed with Petronas various possibilities for cooperation, including the sale of drilling bits, and the local manufacture of oil and gas equipment.

Alberta produced 85 per cent of Canada's oil and gas, said Mr. Lavery, and it was capable of providing advance technological expertise and equipment for Petronas' needs.

Datuk Hussein, in reply to another question in parliament, said that the Federal Government was expected to receive 1bn ringgit from oil this year—850m from income tax and 150m from royalties.

## ATL sells its U.S. division

By John Rogers in Sydney

ATL, the Australian electronics and totalisator group, yesterday upset Smorgon Corporation's takeover hopes with the announcement that the group had sold its successful U.S. operating division for \$14.5m—\$350,000 more than the current offer.

The U.S. subsidiary, Autotote, will go to an undisclosed American company recently formed by investor clients of a Boston merchant bank. ATL directors said that further details would be given at an extraordinary meeting of shareholders to be called to approve the deal.

The directors would say yesterday only that the sale price was U.S.\$16m, with U.S.\$12m payable in cash on completion and the rest by the issue of 8 per cent convertible preference stock.

The transaction means that the privately-owned Smorgon, will have to reconsider its strategy, after buying a 17 per cent stake in the company before launching a \$1.45 a share bid for the ordinary capital and \$1.92 for each preference share on Tuesday.

Mr. J. R. Palmer, ATL's general manager, said that simultaneously with the sale, an agreement would be entered into between ATL, Autotote and the buyer to provide for full cross-representation and exchange of wagering system technology and products for a period of five years.

## Official bond purchases in Japan

TOKYO—The Finance Ministry is to buy ¥700bn of national bonds from Japanese banks as an emergency measure to help the banks reduce losses arising from a sharp fall in secondary market prices of National bonds, ministry officials said yesterday.

Purchases would be made through swap contracts, under which banks will buy back bonds at the same price after a year. The Ministry would

use cash from its Trust Fund Bureau and National Bond Consolidation Fund for the purchases.

The purchases would be confined to 8.1 per cent 10-year National bonds issued towards the end of 1978. The purchase price would be the so-called theoretical price, between ¥0.02 and ¥0.03 above the issue price of ¥0.01 per cent.

Japanese banks had asked the Finance Ministry to defer list-

ing on the Tokyo Stock Exchange of the bonds, of which ¥1,900bn were issued, but the Ministry decided to list from July 1, after buying back the ¥700bn.

Secondary market prices of other 8.1 per cent national bonds issued earlier in 1978 and already listed on the stock exchange have fallen to a record low of 86.07 per cent, or a yield of 8.898 per cent.

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Companies  
and Markets

## CURRENCIES, MONEY and GOLD

Pound falls in  
quiet market

THE UNWINDING of a large forward position in sterling was the only major factor in the quiet foreign exchange trading yesterday. The pound opened at \$2.045-2.055 and rose to a high point of \$2.065-2.065 in early business. After settling at \$2.060-2.060 for most of the morning, sterling lost 1 cent to \$2.050-2.050 at lunch time, as the commercial order to sell sterling and buy D-marks hit the market. This was believed to have come from Paris, but once out of the way, trading resumed a very quiet pattern, once more with the West German market closed for a public holiday. The pound closed at \$2.053-2.053, a fall of 32 points on the day.

On Bank of England figures, sterling's trade-weighted index fell to 88.2 from 88.6, after standing at 88.5 at noon and in early trading.

The dollar's index, as calculated by the Bank of England, was unchanged at \$6.8. The U.S. currency showed little movement against most other major currencies, easing only against the yen.

Against the D-mark, and to SwFr 1.7270 from SwFr 1.7300 in terms of the Swiss franc.

In terms of the French franc, the dollar declined from FF 4.4175 to FF 4.4150, and to Y220.12 from Y220.20 against the Japanese yen.

BRUSSELS—The Belgian franc improved slightly against the D-mark with the help of the Belgian Central Bank, which sold around DM 30m in the market. The franc was fixed at BFR 16.085 still close to its floor level of BFR 16.074. It was also slightly firmer against the dollar and sterling but eased in terms of the Italian lira and French franc.

MILAN—Sterling was fixed below its best level against the lira, but still reached a record high. The pound was quoted at L1.788, compared with L1.787 on Wednesday and L1.784.9. Elsewhere the dollar continued to show a weaker tendency and was fixed at L852.45 against L853.05, while EMS currencies were fixed slightly higher overall against the lira.

TOKYO—The dollar rose against the yen in moderate trading to finish at Y220.125 compared with Y218.875 on Wednesday. The yen was still buoyed by sharp increases in Japan's wholesale prices and imports. Speculation over a possible weakening in Japan's trade balance may also have contributed to the U.S. dollar's rise. At one point the dollar reached Y221.20, before easing back slightly to its closing level.

Changes are for ECU, therefore positive change denotes a weak currency, adjustment calculated by Financial Times.

## EMS EUROPEAN CURRENCY UNIT RATES

ECU	Current rate	% change from 1978	% change from 1977	Divergence
Belgian Franc	36.4552	+0.541	+1.74	-1.33
Danish Krone	7.08992	-2.848	-1.79	-1.05
German D-Mark	2.10664	-0.243	-0.47	-0.23
French Franc	6.55958	-0.782	-1.28	-0.50
Dutch Guilder	2.20377	-2.733	+0.73	-1.00
Italian Lira	0.66258	-0.657	+1.02	-0.37
Spanish Pes.	164.118	-1.076	-1.78	-0.71

Changes are for ECU, therefore positive change denotes a weak currency, adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

June 14	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.0000	2.053	3.998	280.1	9.343	5.820	4.884	178.7	3.497	54.18
U.S. Dollar	0.477	1.000	1.907	136.3	4.410	2.787	2.082	882.5	1.174	80.68
Deutsche Mark	0.250	0.524	1.000	115.4	2.312	0.906	1.097	447.0	0.818	18.06
Japanese Yen	2.168	4.344	8.667	100.0	30.04	7.848	9.904	387.4	6.327	189.1
French Franc	0.108	0.228	0.428	490.1	1.00	3.917	4.743	183.5	2.659	89.44
Swiss Franc	0.276	0.578	1.104	127.4	2.388	1.00	1.211	483.6	0.678	17.73
Dutch Guilder	0.288	0.478	0.912	105.2	2.108	0.886	1.00	407.6	0.561	14.64
Italian Lira	0.580	1.173	2.227	288.3	8.178	2.026	2.488	100.0	1.878	38.92
Canadian Dollar	0.407	0.853	1.627	187.7	2.761	1.478	1.784	727.1	1.00	55.18
Belgian Franc	1.568	3.266	6.328	718.7	14.40	6.640	6.880	278.4	3.828	100.0

## EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.25-10.35 per cent; three months 10.20-10.30 per cent; six months 10.15-10.25 per cent; one year 9.85-9.95 per cent.

June 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
1 month	14 1/8-14 1/4	10 1/2-10 1/4	10 1/2-10 1/4	7 1/2-7 1/4	8 1/2-8 1/4	8 1/2-8 1/4	8 1/2-8 1/4	10 1/2-10 1/4	10 1/2-10 1/4	14 1/2-14 1/4
3 months	14 1/4-14 1/2	10 1/4-10 1/2	10 1/4-10 1/2	7 1/4-7 1/2	8 1/4-8 1/2	8 1/4-8 1/2	8 1/4-8 1/2	10 1/4-10 1/2	10 1/4-10 1/2	14 1/4-14 1/2
6 months	14 1/2-14 3/4	10 1/2-10 1/4	10 1/2-10 1/4	7 1/2-7 1/4	8 1/2-8 1/4	8 1/2-8 1/4	8 1/2-8 1/4	10 1/2-10 1/4	10 1/2-10 1/4	14 3/4-14 1/2
1 year	14 3/4-15 1/4	10 3/4-10 1/2	10 3/4-10 1/2	7 3/4-7 1/2	8 3/4-8 1/2	8 3/4-8 1/2	8 3/4-8 1/2	10 3/4-10 1/2	10 3/4-10 1/2	15 1/4-14 3/4

Long term Eurodollar deposits: two years 9 1/2-9 3/4 per cent; three years 9 3/4-9 1/2 per cent; four years 9 1/2-9 3/4 per cent; five years 9 1/2-9 3/4 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

## INTERNATIONAL MONEY MARKET

## Belgian interest rates rise

Interest rates continued to rise yesterday in Belgium, as the authorities strive to relieve some of the pressure on the franc within the EMS. Following Wednesday's Bank Rate rise, the Central Bank yesterday increased the rates on short-term Treasury certificates by 1 per cent. One-month paper now stands at 9.25 per cent, two-month at 9.5 per cent and three-month at 9.75 per cent. Treasury certificate short-term rates were last increased on June 5 by 1 per cent.

Deposit rates for the Belgian franc (commercial) were higher yesterday, reflecting Wednesday's increase in the Bank Rate to 9 per cent. One-month deposits rose to 9 1/2 per cent from 8 1/2 per cent with three-month deposits at 9 3/4 per cent.

Interest rates continued to rise yesterday in Belgium, as the authorities strive to relieve some of the pressure on the franc within the EMS. Following Wednesday's Bank Rate rise, the Central Bank yesterday increased the rates on short-term Treasury certificates by 1 per cent. One-month paper now stands at 9.25 per cent, two-month at 9.5 per cent and three-month at 9.75 per cent. Treasury certificate short-term rates were last increased on June 5 by 1 per cent.

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Paris — Day-to-day money rose to 7 1/2 per cent from 7 1/4 per cent.

## UK MONEY MARKET

## Confused trading

Bank of England Minimum Lending Rate 14 per cent (since June 12 1979).

The aftermath of Tuesday's Budget left the UK money market in some turmoil yesterday, as huge technical factors led to a certain amount of distortion in the rates quoted. The supply of credit in the market was also largely influenced by the exceptionally large amounts swallowed up after the exhaustion of the Treasury 11 1/2 per cent 2001-2004 tap stock. The Bank of England gave assistance on an exceptionally large scale, the first time on this level since the revision of the authorities' descriptions of the scale of assistance at the end of April.

The help comprised extremely large purchases of Treasury bills, of which a moderate amount were bought indirectly, and a moderate amount of these are for resale at a fixed future date. The authorities also bought a small amount of local authority bills, some of which for resale at one fixed future time. This was in addition to large purchases of eligible bank bills all of which are on a purchase and resale basis at a fixed future date.

Apart from the settlement of gilt sales, the market was also faced with the unwinding of a sale and repurchase agreement of a small amount of bills (mainly Treasury bills) and banks brought forward balances

## THE POUND SPOT AND FORWARD

June 14	Day's spread	Close	One month	Three months	% p.a.
U.S.	2.0530-2.0550	2.0533-2.0533	0.68-0.58c pm	3.81 1.72-1.62 pm	3.19
Canada	2.4050-2.4075	2.4065-2.4065	0.67-0.57c pm	3.05 1.58-1.49 pm	2.51
Nethind.	4.37-4.42	4.37-4.42	0.70-0.70c	6.07 2.74-2.74 pm	4.98
Belgium	16.10-16.20	16.10-16.20	30-20c pm	4.87 2.66-2.66 pm	3.80
Denmark	11.82-11.81	11.82-11.81	3-1-10c pm	2.80 4.24-4.24 pm	1.21
Ireland	1.18-1.18	1.18-1.18	3-1-10c pm	1.74 2.18-2.18 pm	1.21
W. Ger.	3.59-4.03	3.59-4.03	3-1-10c pm	3.28 7.67-7.67 pm	7.28
Portugal	104.00-105.00	104.20-104.50	30-30c dis	6.80 125-225 dis	-0.71
Spain	130.20-130.25	130.20-130.25	30-30c dis	0.7 10 pm	0.70
Italy	1.785-1.787	1.785-1.787	3-1-10c pm	1.85 3-3-3 pm	0.35
Norway	10.28-10.28	10.28-10.28	3-1-10c pm	4.40 14-14 pm	4.40
Sweden	9.17-9.24	9.17-9.24	3-1-10c pm	3.30 7.67-7.67 pm	3.30
Japan	230.20-230.20	230.20-230.20	25-15c pm	8.15 8-8-8 pm	4.25
Austria	3.61-3.65	3.61-3.65	4-1-10c pm	12.43 11-10 pm	6.78
Switzerland	2.77-2.70c	2.77-2.70c	12-month	4.80-4.85c	11.80

## THE DOLLAR SPOT AND FORWARD

June 14	Day's spread	Close	One month	Three months	% p.a.
U.S.	2.0530-2.0550	2.0533-2.0533	0.68-0.58c pm	3.81 1.72-1.62 pm	3.19
Canada	2.4050-2.4075	2.4065-2.4065	0.67-0.57c pm	3.05 1.58-1.49 pm	2.51
Nethind.	4.37-4.42	4.37-4.42	0.70-0.70c	6.07 2.74-2.74 pm	4.98
Belgium	16.10-16.20	16.10-16.20	30-20c pm	4.87 2.66-2.66 pm	3.80
Denmark	11.82-11.81	11.82-11.81	3-1-10c pm	2.80 4.24-4.24 pm	1.21
Ireland	1.18-1.18	1.18-1.18	3-1-10c pm	1.74 2.18-2.18 pm	1.21
W. Ger.	3.59-4.03	3.59-4.03	3-1-10c pm	3.28 7.67-7.67 pm	7.28
Portugal	104.00-105.00	104.20-104.50	30-30c dis	6.80 125-225 dis	-0.71
Spain	130.20-130.25	130.20-130.25	30-30c dis	0.7 10 pm	0.70
Italy	1.785-1.787	1.785-1.787	3-1-10c pm	1.85 3-3-3 pm	0.35
Norway	10.28-10.28	10.28-10.28	3-1-10c pm	4.40 14-14 pm	4.40
Sweden	9.17-9.24	9.17-9.24	3-1-10c pm	3.30 7.67-7.67 pm	3.30
Japan	230.20-230.20	230.20-230.20	25-15c pm	8.15 8-8-8 pm	4.25
Austria	3.61-3.65	3.61-3.65	4-1-10c pm	12.43 11-10 pm	6.78
Switzerland	2.77-2.70c	2.77-2.70c	12-month	4.80-4.85c	11.80

Belgian rate for convertible francs. Financial franc 66.20-66.40. Six-month forward dollar 2.77-2.70c; 12-month 4.80-4.85c.

U.K. Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

## CURRENCY RATES

June 13	Bank Rate	Special Drawing Rights	European Currency Unit	June 14	Bank of England Index	Morgan Guaranty Changes %
Sterling	14	0.605536	0.628504	Sterling	68.2	-36.2
U.S.	91	1.28880	1.32176	U.S. dollar	86.8	-6.8
Canada	114	1.72853	1.85001	Canadian dollar	91.0	-10.9
Austrian Sch.	34	1.72853	1.85001	Austrian schilling	144.8	+18.4
Belgian F.	9	36.9562	40.5544	Belgian franc	112.6	+12.6
Danish K.	134	7.46248	7.46248	Danish kroner	152.7	+15.7
D-Mark	4	2.42461	2.52859	Deutsche Mark	149.4	+41.6
Guilder	7	2.65644	2.76724	Swiss franc	133.3	+93.3
French F.	100	6.55958	6.55958	Guilder	152.7	+15.7
Lira	100	1093.37	1127.45	French franc	98.2	-7.2
Yen	40	279.158	291.191	Yen	94.5	-94.5
Nrwgn. K.	7	6.06462	6.67552	Yen	151.9	+30.5
Spanish Pes.	8	53.8882	57.3674	Spanish pes.	87.3	-87.3
Swedish Kr.	80	5.66032	5.79351	Swedish kr.	151.9	+30.5
Swiss F.	1	2.19885	2.32834	Swiss F.	151.9	+30.5

Based on these weighted changes from Washington agreement December, 1971

## OTHER MARKETS

	\$	£	£	Notes Rates
June 14				
Argentina Peso.....	8990-2710	1283-1283	Austria.....	89-30
Australia Dollar.....	1.8895-1.8945	0.9015-0.9040	Belgium.....	661-671
Brazil Cruzeiro.....	55.16-54.16	85.35-25.38	Denmark.....	1152-1158
Canada Dollar.....	8.9940-8.9960	1.8500-1.8501	France.....	3354-3355
Denmark.....	77.731-79.595	37.10-38.00	Germany.....	1760-1800
Hong Kong Dollar.....	10.7880-10.7880	5.1220-5.1250	Italy.....	457-467
India Rupee.....	72 1/2-72 1/2	1.00-1.00	Japan.....	101-107
Kuwait Dinar.....	0.581-0.591	0.2785-0.2785	Netherlands.....	435-445
Luxembourg Fr.....	64.13-64.13	80.62-80.64	Norway.....	101-107
Malaysia Dollar.....	4.4000-4.4000	2.2075-2.2075	Portugal.....	151-159
New Zealand D.....	1.8975-2.0025	0.9530-0.9535	Spain.....	335-345
Saudi Arab. Riyal.....	710-720	3.8990-3.8990	Switzerland.....	335-345
Singapore Dollar.....	4.8090-4.8100	2.2027-2.2035	United States.....	910-911
South African Rand.....	1.761-1.77	0.8395-0.8445	Yugoslavia.....	411-431

Rate given for Argentine in pesos only

Rate given for Argentina is free rate.

All of these Bonds having been sold, this announcement appears as a matter of record only.

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Crédit Suisse First Boston Limited

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Orion Bank Limited

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- Dividend per share increased 16% to DFls 5.50 (1977: DFls 4.75\*)

\*Adjusted for the Rights Issue in 1978

Notwithstanding the increased value of the Dutch guilder revenue rose 9%. International business accounted for 36% of total revenue. Improved results from non-life business contributed to healthy profit growth. Funds available for investment were at record level. Share issue and good investment performance boosted net assets by 26%.

REVENUE	1978	1978	197
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# FINANCIAL TIMES SURVEY

Friday June 15 1979

## Austrian Exports

Austria achieved a remarkable success in reducing the trade and current account deficit last year. In this survey, Paul Lendvai, our Vienna correspondent, assesses the importance of exports to the country's economy and looks at the dangers threatening external trade and the balance of payments.

Will the upswing endure?

MOST ECONOMIC commentators would agree with the statement in the annual report of the respected Austrian Institute for Economic Research that the most positive feature of Austria's economic performance last year was the reduction of the visible trade deficit from an all-time record level of Sch 77bn (£2,630m) in 1977 to Sch 55.3bn (£1,906m) and an even more significant cut of the current account deficit from Sch 49bn to Sch 25bn.

If allowance is made for the controversial item of "errors and omissions," the improvement was even more dramatic: a reduction of the deficit from Sch 38bn to Sch 6bn.

However, the main issue at the centre of attention now is whether this improvement will be durable or whether last year's figures reflect temporary factors. It appears that the package of monetary and fiscal squeeze measures introduced in the autumn of 1977, as well as the general economic situation abroad and at home, provided the background to the better-than-expected performance of the external payments.

So, after annual growth of

almost 5 per cent between 1969-73, 6 per cent between 1973-77, and over 3 per cent in 1978-79, the GNP recorded only a 1.5 per cent rise last year. In fact, real domestic demand even dropped by 2 per cent. Except for the year of recession in 1975 and the one of the currency stabilisation in 1952, last year produced the lowest growth rate since the 1939-45 World War.

This slackening of demand was, of course, reflected in the trade statistics. While exports in real terms jumped by 8.9 per cent, imports were down by 1.5 per cent. These favourable developments were also influenced by such exceptional factors as the 45 per cent fall in the imports of passenger cars, due to the introduction of much higher VAT on so-called luxury goods and the 8.4 per cent reduction of the Schilling-denominated import bill for petroleum products.

The latter was the consequence of the continued appreciation of the Austrian Schilling vis-à-vis the U.S. dollar and of the temporary glut on the world oil markets.

### Predictions

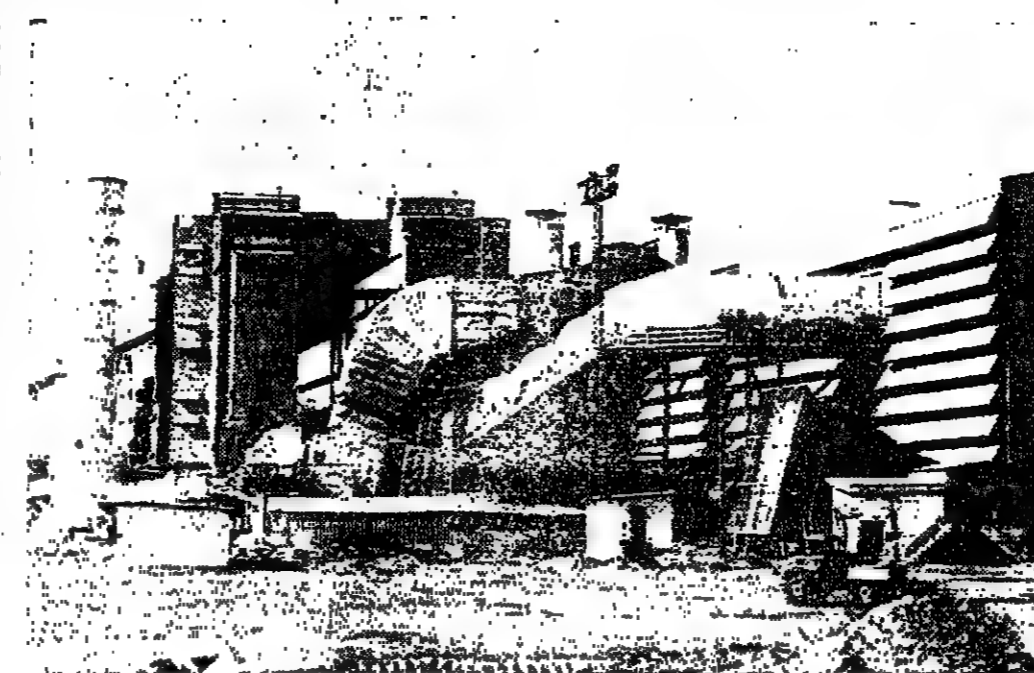
Developments during the first months of 1979 both in Austria and in the world economy appear to confirm the predictions that both the trade and the current account deficit will rise again this year. The forecast of the Institute for Economic Research, prepared at the end of March, predicted a rise of the visible trade deficit to Sch 60bn and a shortfall on current account by Sch 5bn to Sch 27bn.

It remains to be seen whether these estimates are not perhaps slightly too optimistic. Austria's policy mix of achieving both a reduction of inflation from 7.3 per cent in 1976 and 5.5 per cent in 1977 to 3.6 per cent in 1978 and to a similar rate this year — at the same time maintaining almost full employment (unemployment rate rose only from 1.7 per cent to 2.1 per cent in 1977-78), has often been praised by foreign observers. But the policy has also cost a high price in the form of steadily rising public and external deficits.

It is evident already that the economy will grow this year by three, possibly even 3.5 per cent. In January-February this year industrial output was running at levels 5 per cent over those recorded in the same period last year, although the research institute's forecast is a growth of 4 per cent for 1979.

One of the key factors affecting the exports performance is the competitiveness of Austrian products. This is the reason for the heated controversies concerning the development of unit costs. The research institute concluded that last year unit costs in industry rose by only 3 per cent: well below the growth rate of the main foreign trading partners and in striking contrast to a 6.1 per cent rise in 1977 and to a jump of 16 per cent in 1975.

This favourable tendency is likely to persist this year with a relative cost advantage of 3 to 4 per cent compared to the average performance of manufacturing unit costs in the main competing countries. However, it would be mis-



This iron-ore pelleting plant, claimed to be the world's biggest, was set up in Puerto Ordaz, Venezuela, by the Austrian concern Voest-Alpine as general contractor. The plant has been in operation since the end of last year.

leading if one took only the most recent years into consideration. Officials of the Federal Chamber of Economy and spokesmen of the industry like to point out that in international comparisons unit labour costs must be measured in U.S. dollars rather than in schillings to produce a realistic picture.

On this basis, between 1970-78 Austria was ahead of all countries except Switzerland. The difference in the basis is extremely important if one recalls that between 1970-78, for

example, Austria's annual growth in unit labour costs expressed in local currency is reckoned to have reached 8.9 per cent as against 8.4 per cent for the OECD as a whole. Yet measured in a common currency the figure for Austria becomes 14.9 per cent as against only 18 per cent for the OECD.

Another bone of contention has been the exchange rate policy of the socialist government which has de facto linked the Schilling to the D-mark. The trade-weighted average

of the schilling exchange rate vis-à-vis 22 major trading partners appreciated by just over one-third between December 1972 and the end of 1978. So the success of Austrian exporters in maintaining and even gaining foreign market shares despite an appreciating currency, must be seen against the background of a steady decline in relative export unit values and of rising relative unit costs.

No wonder that spokesmen of the business community com-

plain of a profit squeeze and a falling cash flow in the exporting sectors.

The controversies about the squeeze on profit margins in particular and the economic policy in general reached a crescendo before the general elections, fuelled partly by the various studies ordered and financed by the Ministry of Finance.

Not surprisingly, the opposition parties and business spokesmen were sharply critical of the Socialist Government's economic policies, while Dr. Kreisky and his Ministers energetically defended their record, pointing to the sustained growth, low inflation and high employment figures during 1970-78. With the Socialists scoring their fourth consecutive electoral victory and their third with an absolute majority on May 6, the debate about the future course of economic policy has become more businesslike.

It is difficult to quarrel with the Chamber of Economy's assessment that the single most important export promotion task of the state is to strengthen the Austrian companies' competitive ability vis-à-vis their foreign rivals. This cannot be done by way of higher duties or the so-called non-tariff barriers but simply by a sensible taxation, wage, budgetary and monetary policy. The point, of course, is that the views differ as to just what could and should be done.

A small land-locked country of about 7.5m people, Austria is naturally heavily dependent

on the economic climate in Europe (absorbing 84 per cent of the aggregate exports), with the Common Market accounting for 52.2 per cent. A key role is played, perhaps more than ever, by West Germany which supplies 45.3 per cent of the imports and is a market for 29.1 per cent of Austria's exports.

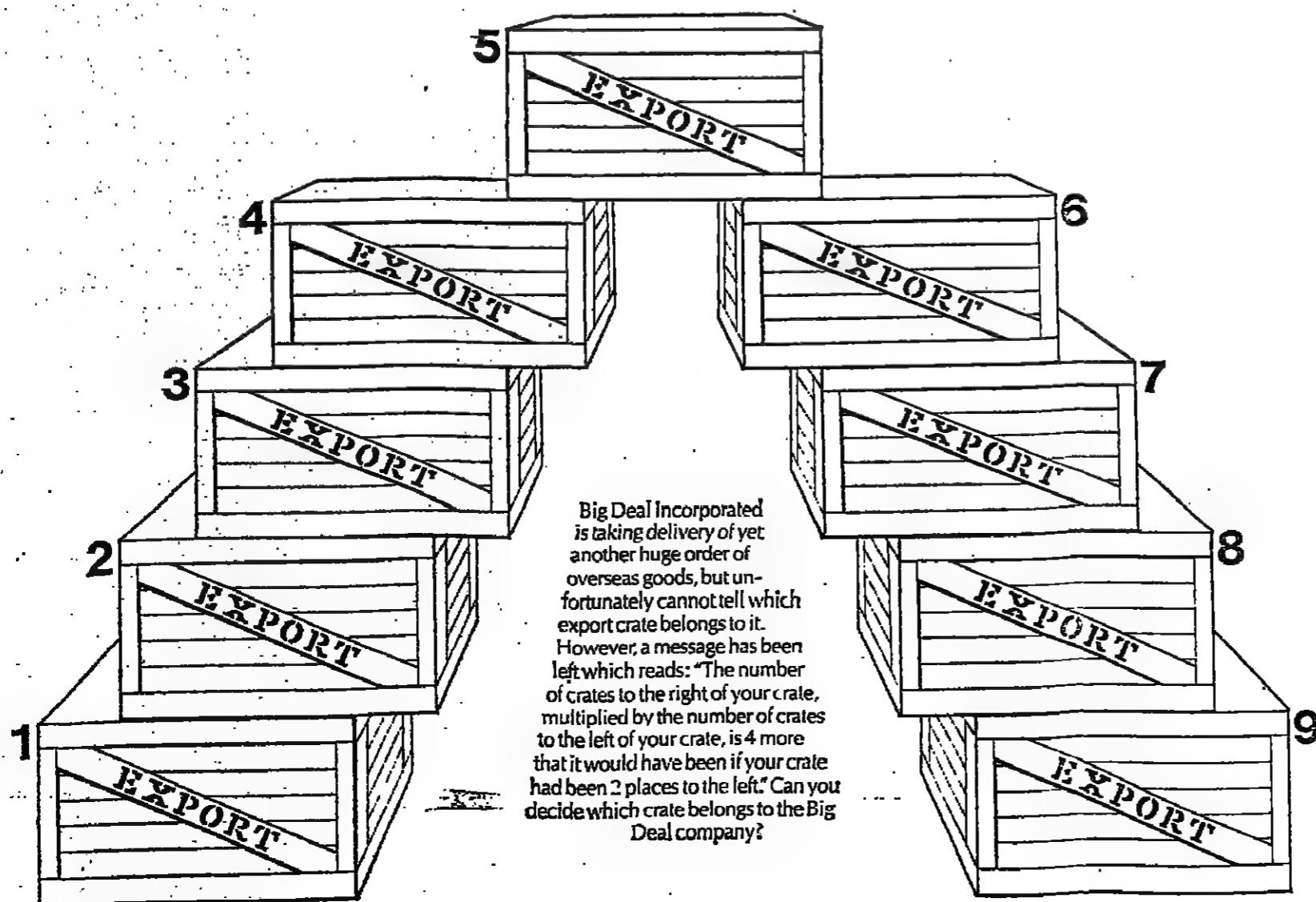
Three out of four tourists are also Germans. So the gains in market shares in the European Community are regarded as a proof that Austrian exporters are capable of adapting themselves to the changed market conditions. However, to recapture the same position enjoyed in those countries before the establishment of the Common Market in 1959 exports should be increased by yet another 33 per cent above last year's level.

Yet for all the success story of Austrian exports, it must be remembered that the per head exports of goods are still well below the comparable figures for other small industrialised countries such as Belgium, the Netherlands, Sweden, Norway or Switzerland.

In a recent study on the balance of payments situation with particular stress on the structural problems of industry and trade, the economist Prof. Gunther Tichy pointed out the inherent disadvantages of small states such as the lack of "spin off" of military and prestige-oriented research, the small size of the domestic market, the high risks and costs involved in export efforts and

CONTINUED ON NEXT PAGE

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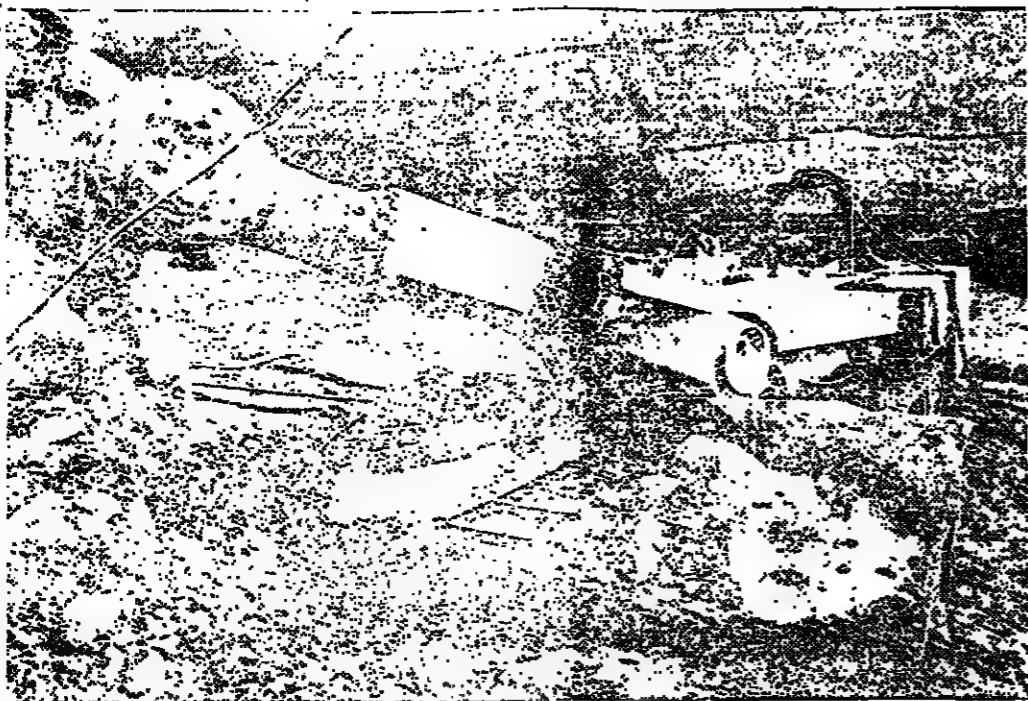
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## AUSTRIAN EXPORTS II



← LEFT

The prototype of the newest and biggest gallery traction engine from the Zellweg plant of Voest-Alpine concern, the AM 100, has started working in a coal-mine in the Ruhr region of Germany.

RIGHT →

A movie camera that can be used under water without fitting a waterproof casing is now being manufactured by Eumig and joins Austria's growing list of high-technology exports. On the Eumig Nautica all shots are automatically sharp from a distance of one metre and the automatic exposure control sets the diaphragm for the correct exposure.



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IF AN Austrian businessman goes abroad to set up a new venture or conclude a deal, he invariably consults the local Austrian trade representative before making any final decision. If a Government delegation arrives, the Minister's negotiations on economic matters are inconceivable without the presence of the trade official.

But in contrast to the methods of most other countries, Austria's trade representatives abroad are not diplomats but highly trained trade specialists. They work for the unique system of export organisation run and financed by the Federal Chamber of Economy. Their reputation and credibility is such that neither a small exporter of embroidery to Nigeria, nor a large nationalised concern engaged in talks about erecting complete plants in Latin America, can afford to ignore the treasure house of experience and accumulated knowledge these multilingual specialists (mostly in the 35-50 age bracket) represent.

Under the able leadership of Dr. Friedrich Gieseler, one of Austria's top economists and trade experts - who is equally at home at an international conference dealing with dumping problems as at a meeting with Austrian businessmen from a small provincial town - about 150 highly qualified specialists, staffing 83 offices all over the world, represent the trade interests of this small, landlocked and politically neutral country. Only under special conditions such as those in Eastern Europe or in certain developing countries do these trade representatives have diplomatic status, but even there they operate under the direct supervision of the Federal Chamber of Economy.

Austria has neither multinational concerns nor many companies which could establish important subsidiaries abroad. It is the network of the 83 offices (33 in Europe, 17 in North and South America, 14 in Africa, 19 in Asia and one in Australia) which serves some 4,000 Austrian exporters, who can contact directly both the trade representatives abroad or the area desk officials in Vienna.

They fulfil a variety of indispensable functions for small and medium-sized firms, from alerting them to sales opportunities to finding agents for them to give advice about how to secure export credit guarantees. What is particularly important is the long period these specialists spend in their areas. While diplomats usually stay two or three years in a country, Austrian trade representatives usually spend up to eight to 10 years in one place, thus providing Austrian exporters with an intimate knowledge of the business structure and easy access to the decision-makers. The more backward or more dictatorial the country is, the more indispensable the trade delegates become for a businessman.

coming from distant Austria. Without red tape and diplomatic protocol, the trade delegates act as representatives of the economy and as highly qualified service outposts for businessmen. They can of course rely on the assistance of the Ministry of Trade when trade agreements are negotiated with the countries where they are on duty.

### Range

This year, for example, four economic missions to India, Chile-Ecuador-Colombia, the Far East, including South Korea, and Saudi Arabia and Yemen will be organised. To such missions must be added 16 round table meetings with interested or potential buyers in other foreign countries.

From fashion shows to trade seminars and language courses, the Chamber of Economy offers a wide range of services. Between 1946 and 1978, for example, some 68,000 Austrian companies have participated at 1,120 fairs and 400 exhibitions and other ventures organised by the Chamber.

This year alone the foreign promotion programme of the Chamber provides for 100 exhibitions, participations in fairs, Austria weeks and information ventures, with one-third taking place overseas. They range from technical exhibitions in Atlanta, Georgia, U.S., to a furniture show in Moscow, from a winter sports festival in Holland to a store promotion campaign in Hong Kong.

Every week almost 7,000 Austrian companies receive a weekly foreign trade news bulletin from the Chamber. If they express interest, they also receive free of charge regular market reports and studies as well as a comprehensive report, revised annually, giving essential information about 150 countries. A new computerised information and data system

stores 23,000 product headings supplied by 5,000 Austrian exporters and 2,300 importers from Austria.

This year, the Chamber has further expanded its activities aimed at helping small and medium-sized companies in the increasingly sharp competition in foreign markets. Thus the Chamber now provides up to 50 per cent of the costs for a market research study provided certain conditions are met. The Chamber itself, or more precisely its specialists including trade delegates transferred home after a tour of duty abroad, will increase the number of market reports provided to companies.

If at least five companies combine forces and dispatch a salesman abroad, the Chamber can pay up to 50 per cent of the travel expenses. The foreign language publication serving export promotions can receive per company and per annum a subsidy equal to £2,000. Other measures involve help for covering the costs of interpreters and copying machines as well as the dispatch of technicians and engineers to fairs, provided these do not take place in neighbouring countries.

In general the activities of the Chamber are directed at improving the quality as well as the competitiveness of products but also the way in which "Made in Austria" goods are offered for sale in Europe and elsewhere - and last but not least at making new companies interested in exports. Documentary films, language and management courses, training of export specialists and close contacts with universities also belong to the large-scale and permanent programmes mounted by the Chamber and its affiliated bodies such as the Institute for the Promotion of Economy. The organisation of

study tours for journalists and exporters, Chamber officials and specialists also contributes to the awareness of the crucial importance of exports for Austria.

In a sense the Chamber, which in its present form was founded more than three decades ago, has been a tremendous success despite or perhaps even because of the changes in succeeding governments. Though representing the interests of the business community and thus automatically belonging to the so-called "black" - that is, conservative camp - its president, Herr Rudolf Salinger, and other high officials have traditionally served not only as a link between the Government and the exporters but have also maintained excellent personal relations with the Ministry and the trade unions. The fact that since 1970 Austria has been run by a Socialist Government which has just been returned for another four years has not affected the co-operation between the Government and the Chamber.

Herr Salinger and the Secretary General, Dr. Arthur Mussil, have often indulged in sharp polemics (as People's Party deputies) in Parliament with Socialist Ministers and union leaders. Yet often the same day they have managed to sit down with their political opponents at the negotiating table and hammer out a mutually acceptable compromise.

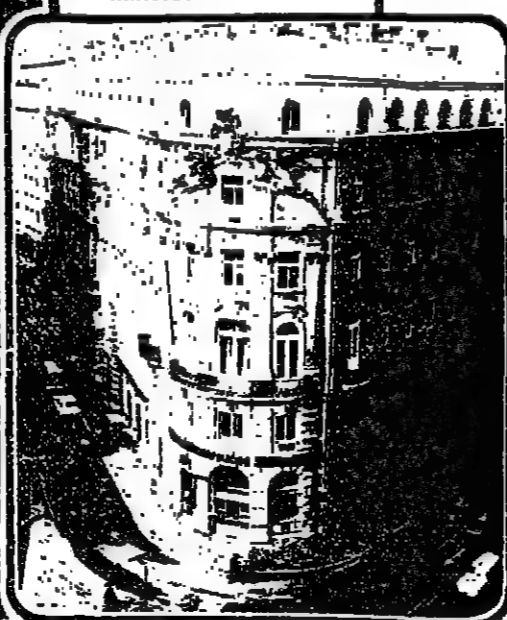
These permanent links between the two sides of industry and business have survived all the political changes and storms of the past decades. The system is one key to Austria's economic miracle since World War II and, of course, also the basis for the success story of the unique system of Austrian export promotion and trade delegates.

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## Upswing

CONTINUED FROM PREVIOUS PAGE

the existence of few really large companies. But in the case of Austria there are other partly inherited, partly self-made disadvantages. In addition to a lopsided industrial structure, caused by the break-up of the Austro-Hungarian monarchy and the thrust of industrialisation under German occupation during the war (steel sheet, aluminium, pulp, fertilisers), the 1960s contributed to a deterioration rather than to an improvement of this basically antiquated and uncompetitive structure.

### Polemics

Going beyond the usual politically-motivated polemics between the various lobbies, Prof. Tichy stated that Austria has one of the highest investment ratios in the world (27 to 28 per cent of the gross GNP between 1973-77 as against about 22 per cent in Germany). But, he said, the share of industry had reached only a medium level and the return on capital in 1973 was 20 to 25 per cent lower and output per head (in 1974) 18 per cent below the comparative figures for West Germany. While social partnership - the tested co-operation between the two sides of industry, farmers and the government - provides the basis for labour peace and sustained growth, it also acts as a barrier to the overdue redeployment of labour and capacities. Austria is still one of the world's laggards in spending on research and development, which account for only 0.6 per cent of the GNP.

In the final part of his thoughtful and outspoken study Prof. Tichy suggests a whole catalogue of measures to help

exports. They include: product-orientated and more differentiated promotion; compensation for losses caused by the Schilling's appreciation in a way which accords with the GATT rules; a permissible tax debt for five years ranging to up to 50 per cent of the costs involved in tapping new markets (but excluding Germany, Northern Italy and Switzerland); joint export ventures of smaller companies; accelerated division of labour with the Comecon states; and measures to alleviate the tax burden of the tourist industry coupled with the modernisation of facilities for group tourism. Some of these ideas have been incorporated into a new strategy paper just presented by Dr. Arthur Mussil, Secretary-General of the Federal Chamber of Economy. In addition to the provision of risk capital, the paper put the emphasis on taxation and other measures needed to speed up technological transfer to promote specialisation; to eliminate fiscal discrimination of income from inventions and patents; to increase funds for research and development in industry; to apply in practice the results of research and development; and to intensify contacts between business on the one hand and the universities, research institutes and laboratories on the other.

Such initiatives as well as new bodies founded by Girozentrale and the Zentralbankstelle to promote exports by small and medium-sized companies, are all part and parcel of a new economic strategy needed if Austria wants to retain its proud place in the front ranks of the European growth and stability league, on a par with Germany and Switzerland.

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<sup>1)</sup> Converted at Ash 13,3675 per US \$

<sup>2)</sup> Figures before auditing

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Jeff Smith

## AUSTRIAN EXPORTS III

# Clouds over East European trade

NO OTHER West European country is as closely involved in trade with the Communist East as Austria. The massive involvement is due to a combination of factors such as geography and history, intimate knowledge of the area and the mentality of the people and elites living there.

For centuries Austria was the heart of the Habsburg empire dominating the economy of the countries in the Danubian Basin. Even after the break-up of the Austro-Hungarian monarchy, half a century ago, the three direct neighbours—Czechoslovakia, Hungary and Yugoslavia—accounted for well over half of the country's aggregate foreign trade.

After the difficult years of Stalinism, isolation and Cold War separating Eastern Europe from its natural trading partners, the relaxation of tensions, East-West Detente and the economic upswing in Austria itself have revived interest on both sides in re-forging old commercial links. Of course, the closer co-operation lends a special importance to Vienna as a contact point for East-West trade.

Situated only about 50 miles from the Czechoslovak and Hungarian borders, the Austrian capital is a convenient launching pad for Western companies doing trade with the East. Thus it is no wonder that between 350 and 400 important western firms concentrate primarily or partly on trade with Eastern Europe.

It is reckoned for example that one in four compensatory payments arrangements between East and West (excluding trade with the Soviet Union) are handled by Austrian intermediaries or have originated in Vienna. Over 50 foreign banks have branches or subsidiaries here. The Austrian banks play a key role in financing exports to the East. It is estimated that by the end of last year the indebtedness of Comecon states, including commercial credits, in Austria reached some Sch 45bn.

After a temporary setback due to the switch from bilateral

clearing to payments in convertible currencies, Austrian exports to Eastern Europe began to rise in the 1970s, with the eastern share increasing from 11.8 per cent in 1972 to 15.1 per cent in 1974 and reaching a peak of 17.1 per cent in 1975. However, since "Eastern Europe" in the Austrian trade statistics comprises Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania and the Soviet Union but not Yugoslavia, even this figure is deceptive. If one adds the Yugoslav stake of 3.5 per cent, the total East European stake in 1975 reached 21.6 per cent of the Austrian exports total.

## Disappointment

But the second half of the decade has produced a deepening disappointment. Instead of the hoped for expansion, trade with the East is on what appears to be a downward slope. The share of the Comecon countries fell to 15.2 per cent in 1976, to 14.5 per cent in 1977 and to a new low of 13.7 per cent last year. Though the share of Yugoslavia has remained on the whole the same at 3.5 per cent, even the combined—that is Comecon-Yugoslav—trade is now in proportional terms about as large as the Comecon stake alone four years ago.

The figures during the first quarter of 1979 reflected a further deterioration. While Austrian exports on the average were up by 13 per cent on the same period a year ago, sales to Eastern Europe were actually down by 2 per cent. As imports from Comecon also fell by 8 per cent, the departmental chief at the Ministry of Trade in charge of foreign trade publicly called for quick remedial action. As a first step, he suggested the reintroduction of the autonomous tariff cuts which one and a half years ago were revoked as a prop to the balance of payments.

The suggestion was, however, quickly rejected by most commentators and also criticised by officials of the Chamber of Economy. The point is that the

tariffs were reimposed in the first place against low cost imports from the Far East in such domains as textiles, clothing and electronics.

It is pointed out, for example, that Austria produces some 4.4m shirts per annum and imports between 5.5m and 6m. Thus last year South Korea alone sold 1.04m synthetic shirts in Austria, 981,000 came from Hong Kong, 467,000 from Yugoslavia and 245,000 from Romania. Another alarming example is the tight sector. The number of Austrian producers was halved between 1972 and 1978 and domestic output dropped from 24m to 67m pairs. During the same period, imports jumped from 9.8m to 50m pairs.

Another even more important consideration is the simple fact that the east European countries therefore buy less from Austria and from the West in general because they are in the midst of a structural economic crisis, sharpened by the fuel price squeeze. Dr. Friedrich Gleissner, the chief of the foreign trade and commercial policy department at the Federal Chamber of Economy has time and again publicly come out against any kind of protectionist practices. But trade policy must be based on the strict application of the principles of reciprocity. As the entire economy and the foreign trade organisation of the Communist countries is completely different from that of Austria it is extremely difficult to realise the principle of mutual advantages in practice.

## Gesture

In any case, the Austrians are firmly against the idea of any kind of free trading zone with the east as a dangerous political risk which in the case of Finland for example did not yield any tangible advantages for the Finns. In view of the strict rules and tariff-free intra-bloc trade within Comecon it is almost ridiculous to talk about discrimination applied against Eastern exporters trying to sell in Austria. Nevertheless a recent agreement with Hungary

about reduction of certain tariffs, which of course have to be extended to all GATT member states, is seen as a good-will gesture made by the Austrian side.

East European demands for preferential treatment of goods produced under various co-production agreements are also regarded by Austrian experts as unacceptable. First, the term "co-operation" for "joint venture" is extremely vague and second, Austrian producers not engaged in such deals cannot be "punished" by being placed on a competitive disadvantage vis-a-vis others who work together with Eastern firms.

In any case, Austria already in January 1975 introduced full liberalisation, eliminating all quantitative restrictions. For about 150 tariff headings, automatic import licence is granted only after the invoice is stamped by the trade or agricultural ministry. This protective measure is defended by the Austrians as a kind of "early warning system" applied in trade with Eastern European, Far Eastern and developing countries, which are not members of GATT.

In sum, the Austrian side blames the lack of demand, not high tariffs for the fall in East European exports to Austria. Trade experts at the Vienna-based Institute of Economic Comparisons expressed the view that even the granting of new tariff concessions could not give a real fillip to exports to the East.

In the next few years little scope is seen for an increase of sales in Comecon countries. Poland, the Soviet Union and Hungary are the major Eastern trading partners after Yugoslavia and they are followed by Czechoslovakia, Romania and East Germany. With little progress achieved since the European security conference in getting easier access to the end-users, enjoying better working conditions for businessmen and receiving more complete information and statistics from the local authorities, Austrians are sceptical concerning short- and medium-term growth prospects for trade with Eastern Europe.

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# Nuclear power decision brings consequences

THE NUCLEAR referendum held on November 5 last year about the commissioning of Austria's first nuclear power plant at Zwentendorf in Lower Austria has changed the entire energy picture—with far-reaching consequences on the country's future supplies and also on its balance of payments position. By a narrow majority the voters rejected nuclear power and Parliament subsequently adopted a law under which the plant cannot go into operation.

It was also announced by all parties before the recent general elections that a decision taken at a referendum should only be revoked or changed by another referendum. This means in practical terms that for the foreseeable future Austria is bound to remain without nuclear power.

The 400 MW nuclear power plant was erected at a cost of some £280m equivalent by the Verbund-Gesellschaft, the State electricity concern, and provincial utility companies. It is now planned to take the final decision in September about building a power plant based on hard coal rather than on oil and gas as originally planned. The plant will go on stream in two to three years and negotiations are already in progress with Polish and West German concerns concerning the delivery of 700,000 tonnes of coal per annum. A conversion of the Zwentendorf nuclear plant into a conventional power station would take six to seven years and cost some £13m.

The immediate effects of the "No" to nuclear power will soon be felt. It is now taken for granted that from January 1980 on electricity rates will be raised by more than the average 4 per cent of the last 10 years. After all, the companies concerned will have to absorb the enormous losses caused by the scrapping of the Zwentendorf plant.

## Worse

The situation is, if anything, even worse by the lack of conspicuous energy savings. Co-ordinated energy saving efforts last year were up by 10 per cent. During the winter of 1977, during the energy crisis, the growth rate of energy consumption in April 1978 was as high as 5.8 per cent.

First, the demand for coal products slackened. In the first months of 1979, the demand for premium grade coal was up by 5.8 per cent.

petrol was up by 5.4 per cent, diesel oil by 12.1 per cent and heating oil by 17.5 per cent on the corresponding period the year before. The prospects are for greater dependence on imports, especially from Eastern Europe.

At any rate, there can be no question of Austria following the recommendations of the International Energy Agency for a 5 per cent cut in oil consumption. As a matter of fact consumption on the whole was up by 9 per cent in the first quarter. Last year Austria consumed 11.8m tonnes of crude with domestic output totalling only 1.8m tonnes.

Last year the overall rise in energy demand by 5.7 per cent also involved a jump of 9.4 per cent in consumption of petroleum products. In view of the stagnation of domestic output, the increased demand had to be met through larger imports.

Energy imports last year cost Austria about £900m. The price of imported crude, however, was 8.4 per cent below 1977. This was due to the appreciation of the Austrian schilling against the dollar and

to the temporary glut on the world oil markets.

But economic experts caution that the situation since then has changed dramatically and that the petrol bill will once again contribute to a deterioration of Austria's trade and payments balance. About 30 per cent of the imported oil last year came from Iran. In general, the country's dependence on imported solid and liquid fuels is steadily increasing and thus also its vulnerability to political upheavals abroad.

The East European States accounted last year for 44.8 per cent of Austria's total per cent of Austria's total specific fuels, imported coal accounts for 79 per cent, for power 33.5 per cent, crude oil 24.8 per cent and natural gas virtually 100 per cent.

It is estimated that Austria's energy consumption will rise by 80 per cent between now and the year 2000 on the assumption of an annual average economic growth rate of 2.5 per cent. Though the demand was suddenly to cut it a somewhat slower pace than in the past the dependence on im-

ports of oil, gas and coal will rise by 7 per cent to 64 per cent by the year 2000.

It remains to be seen whether and to what extent the ambitious plans concerning joint power plants based on lignite on the Hungarian-Austrian border and the construction of a coal pipeline and the import of electric power from Poland will be realised. Last winter Czechoslovakia had suddenly to cut its exports of power to Austria and it is feared here that an economic or political turmoil in one of the Eastern suppliers could have a drastic impact on Austria.

In the short term the rise in imports of cars and components will lead to an increased trade deficit. The upward revision of petrol and diesel oil prices as of June 1 is unlikely to cause a fall in consumption. The Government is now considering more drastic savings measures. But whatever the concrete plans, involving also the programme of the domestic energy saving agency, Austria is bound to be more vulnerable than ever to the shock waves of the world fuel crisis.



The problems of shortage of power as supply struggles to meet demand are likely to be widespread, particularly in industry. Above: production at the Ranshofen aluminium works

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## AUSTRIAN EXPORTS IV

# General Motors project a success for Kreisky

**POLITICAL STABILITY.** labour peace and the availability of skilled labour were listed as factors by Mr. Alexander Cunningham, vice-president of the General Motors Corporation, when he formally announced that his company had decided to build a large engine plant at Aspern near Vienna. These were the reasons, he said, why General Motors was attracted to Austria.

In fact, details of the project were already front page news a few days earlier when Mr. E. M. Estes, General Motors President, paid a lightning trip to the Carinthian resort, Poertschach, where the ruling Socialist Party was holding its post-election caucus meeting. It was there that the chief executive of the world's largest car manufacturer told Chancellor Kreisky and representatives of the unions and the business community of the company's decision.

Though some Austrian newspapers expressed disappointment that Austria had failed to capture a larger slice of the market in connection with the company's expansion plans in Europe, there is no doubt that the \$150m project, providing 1,500 jobs, is a major personal and political success for Chancellor Bruno Kreisky, who personally led the high-powered

campaign to attract some of the large international car companies to Austria.

It all started with the abortive plan of launching the so-called "Austro-Porsche," a car to be made in Austria under Porsche licence. Most of the projected output would have been sold abroad.

However, both Volkswagen and the Porsche family raised serious difficulties. Volkswagen declined to put its world-wide service and sales network at the disposal of the Austrian venture, while Porsche was less than keen to allow the use of the Porsche brand name.

Then followed the all-out drive to beat France and Spain in the great race for the planned \$1bn car investment project announced by Ford. Here again Chancellor Kreisky himself negotiated with senior Ford executives and corresponded with Mr. Henry Ford, thus prodding President Giscard d'Estaing of France into action too. The French President then followed the bid to bring the plant to France and had a personal meeting with Mr. Ford in the spring.

In the end Ford scrapped its ambitious plans, although in the meantime Austria had offered investment grants totalling in one form or another almost

\$150m, in addition to providing a site free of charge. Such financial assistance and site development projects have all along played an important role in the successful campaign of WIBAG, the industrial siting corporation, to attract new industries to the capital and the surrounding area.

## Incentives

The project—particularly in view of the large-scale financial incentives offered by the Government and the municipality—was not without its critics. Some commentators suggested that the Socialists were trying to make political capital out of the idea on the eve of the May general elections. However, it has been known all along that General Motors also has been showing interest in Austria.

Eventually, the elections were won by the Socialists, so politics can not be really suspected as the main motive behind the bid to attract foreign investment. In fact the shopping for joint ventures is motivated by the need to dampen the strains on the balance of payments.

This is the reason why the Austrian side has offered to provide one-third of the investment outlays. The federal state will put up two-thirds of the \$50m investment grant with the mun-

icipality of Vienna providing the rest of the grant.

Nothing could illustrate the contradictory trends better than the fact that while some papers criticise the spending of \$30,000 on creating each new job, provincial newspapers complain bitterly that Vienna, Aspern and not the sites offered in Styria or Carinthia have been chosen. Such projects as a brake-lining plant or a press plant have been cancelled or moved to Spain, with Spain's cheaper labour force tipping the balance.

Even so, the engine plant in Vienna will manufacture 300,000 engines a year, contributing the equivalent of \$100m to the strengthening of the country's balance of payments. Further, General Motors is said to have promised to spend the entire investment grant within the country. It is reckoned that about half of the total value of the engines will be provided by Austria. Further, General Motors already covers almost half of its sales in Austria through purchases from Austrian sub-contractors.

It is this factor that has also played an important role behind the Austrian drive for joint ventures. Through contracts with so many different manufacturers, ranging from the Japanese Mitsubishi of Japan

to Ford and General Motors, the Austrians have induced the major car exporters to the country to buy more from Austria.

After all, Austria is an important market with new car registrations expected to exceed 200,000 this year. Though the number of cars passed the 2m mark for a population of just over 7.5m, there is still scope for expansion in sales.

It is still possible that General Motors will decide within a couple of years or so to set up an assembly plant in the Aspern area. The location provides a fully developed infrastructure and is close to a canal leading to the Danube, which could be particularly helpful when the Rhine-Main-Danube canal is completed. The proximity to Eastern Europe and the excellent record in labour relations (there has been no major industrial strike for the past 15 years) are powerful arguments in Austria's favour.

Another important consideration from the Austrian point of view is, of course, the provision of jobs. It is estimated that in the next few years about 30,000, and up to the mid-1980s 20,000 additional new jobs, will have to be created. Yet industry has lost during the past few years about 8 per cent of its labour force and its capital



While Austria has been busy attracting foreign car companies the Austrian concern Steyr-Daimler-Puch has produced a new cross-country car, the Puch G. In co-operation with Mercedes-Benz of Germany. Extremely manoeuvrable, it can be supplied in 40 different versions

spending both in absolute and relative terms, compared with overall investments, has been declining.

Specialisation and improvement of the production structure are needed and it is hoped that other major joint ventures in the motor industry will also be helpful in this respect. Only ten days after the announcement about the General Motors project Steyr-Daimler-Puch, Austria's leading motor concern, and the German BMW motor company will give the signal for the construction of a diesel engine plant near the town of Steyr in Upper Austria. The Steyr group also

collaborates with the German car maker Mercedes-Benz to produce a cross-country vehicle at a new plant at Graz in Styria.

While these projects are generally regarded as important steps forward, the Renault venture at Gleisdorf in Styria is seen as a costly exercise in spending \$1.5m to subsidise jobs in a factory for 40 people. But here too local considerations play a significant part.

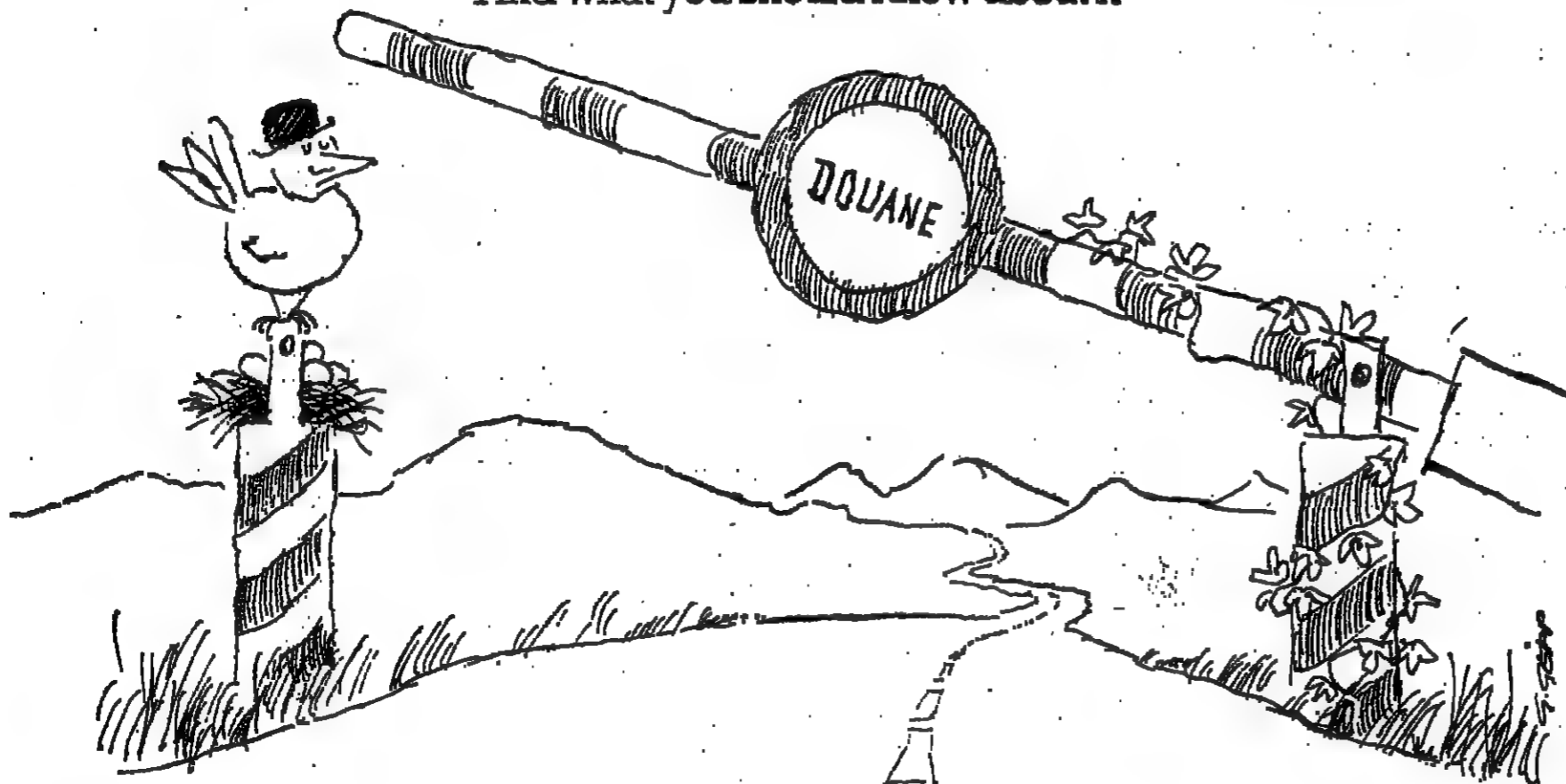
According to one recent study, Austria has caught up with the average OECD per-

formance in terms of per head exports of chemicals, machinery and transport equipment as well as manufactured goods. While in 1960 the Austrian figure amounted to only 60 per cent of the OECD average (excluding the U.S. and Japan), the proportion rose to 95 per cent by 1976.

There is no doubt that the transfer of modern manufacturing and management methods to a country so deeply steeped in parochial traditions, can only speed the process.

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## Exports shift to EEC

FOR MANY years the issue of European integration has been the subject of heated debates between advocates and opponents of close links between neutral Austria and the Common Market. Full membership in the European Community would have been incompatible with Austria's voluntary but permanent neutrality.

Under the terms of the free trade agreement, tariffs on manufactured goods in trade between Austria and the Common Market were between October, 1972, and July, 1977, reduced to nil.

Up to 1977, as noted by the last OECD report on the Austrian economy, "the mutual tariff reductions seem to have had a negative net effect on Austria's trade balance because the initial level of tariffs in Austria was higher and domestic producers presumably were slower in taking advantage of the removal of trade barriers than foreign competitors."

The rise in unit labour costs and the domestic boom, engendered by rising incomes and the spending spree of the socialist government, may of course have been much more important than the "slowness" in adaptation as mentioned by the OECD report. But regardless of the details of such assessments, the fact remains that the positive integration effects coupled with the improvement of the supply structure, tipped the balance in favour of gaining, or rather regaining, market shares in the highly competitive Western markets.

In this respect 1978 clearly marked a turning point. Austrian exports to the Common Market were up by 15.6 per cent and the trend continued in January and February this year with growth rates of 17 and 18 per cent respectively. Particularly impressive was the almost 30 per cent jump in sales in West Germany which alone accounted for 29 per cent of the Austrian exports total.

### Decline

During the 1970s the share of the EEC in Austrian exports has been on the decline, hitting a low point of 44.2 per cent in 1975. Last year the Common Market absorbed 52.6 per cent of the aggregate Austrian exports, about the same proportion as recorded in the mid-1960s, but still two percentage points below the level reached in 1960.

More than half of the increased deliveries went to Germany, but sales to France, the Netherlands and Britain were also significantly up.

On the complaints about the "hard" Schilling, one must, of course, also note the fact that, after all, the "hard-currency bloc" of Germany, Switzerland and the Benelux countries sided against Austria's distribution of exports cannot be eliminated two-fifths of Austrian exports. However, there is another side to the picture. In the first quarter of this year the visible trade deficit was again up by Sch 900m to Sch 14.7bn and the European Community accounted for 99 per cent of the adverse balance. The accelerated imports of cars, amounting to 25 per cent of the deficit in the first quarter, clearly were an important factor in the deterioration of the trade picture.

These figures lend added weight to the problems concerning the structure of Austrian exports. On the one hand, the country has achieved some stunning successes. Thus it is claimed that Austria caught up with Germany in the per head figures for the exports in a broader sense (ie, including services) by 1975. During 1968-1978 the share of machinery and transport equipment rose from 21.6 per cent to 29 per cent of the Austrian exports total.

However, the Institute for Economic Research pointed out in its annual report on the foreign trade performance that the share of technically advanced manufactured goods has remained still relatively low. So in 1977, for example, the proportion of half-finished goods and basic materials was still twice as high as the comparative figures for West Germany and Switzerland. At the same time the share of industrial machinery was, at 14 per cent, about seven points below the figures for those two countries.

Revision  
A special problem is the farm sector, which has been excluded from the agreement with the EEC. The Austrian government seeks a revision of the 1972 arrangements regulating the free trade agreement "the harmonious development of agricultural trade exchanges."

Though the deficit in the balance of trade with farm products last year was reduced from Sch 14bn to Sch 12.1bn, the spokesmen of the farmers' lobby complain about the barriers to the exports of cattle, cheese and wine and accuse the government of allowing too large quantities of imported wine into Austria.

The socialist government rejects such complaints and points both to the high subsidies for the farmers and the foreign trade obligations as arguments that there can be no question of discriminating against the farmers. It remains to be seen whether a definitive agreement with the EEC could be reached in the next few months.

Evidently, Austria's trade with the OPEC countries remains a weak point. During the last three years Austria has lost market shares in the OPEC exports and last year the exports to that area suffered a 7.4 per cent setback compared to 1977. The adverse trend continued during the first quarter of this year with the trade deficit vis-a-vis the OPEC states rising to Sch 1.4bn.

Nevertheless, it is still thought likely that the Research Institute's forecast of an 8.6 per cent rise in exports in real terms will be achieved. The deeper reasons for the structural weakness and the lopsided geographical distribution of exports cannot be eliminated quickly. But the experience of the last year has shown that Austrian exporters are of exploiting sales and offer a wide range of products adapted to the market conditions. If the unit labour costs are kept within bounds and if the policy is to improve the structure of exports should the improvement this



## LONDON STOCK EXCHANGE

Companies and Markets

Market downslide continues with emphasis on equities  
Index loses 14.7 to 474.2 and Gilts fall £1½ more

## Account Dealing Dates

Option  
First Declara- Last Account  
May 21 May 31 June 1 June 12  
June 4 June 13 June 15 June 26  
June 18 June 28 June 29 July 10  
July 2 July 12 July 13 July 24

\*New time deals may take place from 9.30 am two business days earlier.

The hostile stance of the unions on the Budget and other measures taken by the new Tory administration was interpreted in stock markets yesterday as bringing nearer the possibility of Government/TUC confrontation. Accordingly, the trend in both equities and gilt-edged was sharply lower again. Losses in the latter sector were not on the previous day's scale, but still extended to 11 points more. Leading shares, on the other hand, sustained even larger falls than on Wednesday and the FT 30-share index dropped 14.7 for a two-day fall of 27.5 to 474.2. The index has thus plunged 84.4, or 15 per cent, from its May 4 record high.

Part of the pressure on equities came from some of the smaller institutions which, although highly bullish only a few weeks ago of market prospects under a changed administration, became nervous and began to dispose of certain lines of secondary issues. Business in some leading industrial was more subdued than on Wednesday but sellers continued to single out major exporting concerns which are experiencing erosion of overseas earnings through the strength of sterling. Inflationary fears became more pronounced following the Ministerial warning of a 17 per cent rate by the autumn, and worries that a tight monetary policy could mean a continuation of high short-term interest rates also contributed to the rout in markets. Interest rate concerns applied particularly to the gilt-edged sector where yields on longer-dated stocks now range to 13 per cent.

Trade in long-dated Gilts was much reduced and the recently-exhausted top stock Treasury 11

per cent 2001-04 lost 11 more to 201 with other falls ranging to 11. The shorts maintained a good volume of business, but attempted recoveries here were short-lived and prices closed at the day's lowest. The price of Exchange 3 per cent 1985, in yesterday's issue, should have been 78½ and not 77½ as published.

Continuing to reflect fears that the first steps had been taken towards the abolition of exchange controls, the investment currency premium went lower still. On occasions, selling was heavy but at times buyers were also active and this cushioned the fall to some extent, bringing a close of 21 points lower at 361 per cent for a two-day fall of over 12 points. Yesterday's SE conversion factor was 0.8222 (0.8908).

Banks flat further

Despite rallying a penny or so in the early afternoon on the expected rise of 2 to 14 per cent in base lending rates, the major clearing banks reflected the surrounding gloom with fresh falls in 10. Barclays closed that much off at 440p, after 438p. Overseas remained depressed by the decline in the investment currency premium and falls of 3 and 2 points respectively were sustained by Allgemeine, and Deutsche. 1974, Merchant banks came on offer with Schroders closing 30p down at 510p and Hill Samuel Warrants 125 off at 350p. Hambros dipped 12 more to 382p. The trend towards dealer money overshadowed Hire Purchases.

Sellers were again in command in the Brewery sector. Bass fell 7 to 206p and Whitebread "A" 4 to 119p following news that the two companies had agreed to freeze pub beer prices until January. Elsewhere, Distillers reacted 6 more to 211p and Highland 5 further to 101p, while Invergordon gave up 7 to 167p.

The cut in the support grant to local authorities and fears of increased mortgages took a further toll on Building issues where the effects of some fairly sizeable selling was apparent. Blue Circle fell 16 to 289p, while London Brick shed 4 to 66p and Taylor Woodrow declined 14 for a two-day fall of 30 to 388p. George Wimpey came on offer and dropped 7 to 74p and John Howland ended 5 off at 102p, after 100p. Disappointing annual results left William Leech with a fall of 11 to 98p and, following the AGM, Lasing A gave up 5 to 60p. International Timber, overshadowed by the £8.3m rights issue, lost 7 for a two-day fall of 15 to 121p, while recently-rumoured Burnett and Hallamshire relinquished 12 to 388p. Second

thoughts about the annual results, however, left Rowlinson Construction 2½ to the good at 30p. Elsewhere, Magnet and Southern were notable for a fall of 15 to 173p, while May and Hassell shed 7 to 78p and Marriot Development 10 to 104p.

An attempted rally in ICI fizzled out and the close was 5 lower at 355p. Among other Chemicals, persistent selling left Fisons 10 cheaper at 248p, while falls of around 9 were marked against Allied Colloids, 100p, Leigh Interest, 90p, and Hickson and Welch, 230p.

Stores flat

Stores continued to beat a hasty retreat in further persistent selling, but the fact that the steeper-than-expected rise in VAT, due to become operative on Monday, will adversely affect sales, Gussies A lost 16 more to 388p and Burton A 240p, and W. R. Smith A, 164p, declined 8 apiece. House of Fraser relinquished 6 to 165p and Marks and Spencer ended 21 cheaper at 100p. Elsewhere, the falls of between 10 and 15 were sustained by MFI, 118p, Comet Radiovision, 128p, Lee Cooper, 275p and Bamber, 135p. Connaught English gave up 12 to 129p and El. Samuel A dipped 7 to 233p. By way of contrast, W. Goodlad jumped 18 more for a two-day advance of 33 to 50p on further consideration of Wednesday's disclosure that Messrs. Woolfill, Henton, Fraser, and Bins have between them acquired a near 30 per cent stake in the group from the Goodlad Family Trusts.

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Sellers again held the upper hand in Electrical sector where, in recorded, the widespread spread losses, Decca "A" remained a particularly weak market at 268p, down 17, while Electrocomp also stood out with a fall of 18 to 450p. MFI fell 11 to 289p and El. Samuel A dipped 7 to 233p. By way of contrast, W. Goodlad jumped 18 more for a two-day advance of 33 to 50p on further consideration of Wednesday's disclosure that Messrs. Woolfill, Henton, Fraser, and Bins have between them acquired a near 30 per cent stake in the group from the Goodlad Family Trusts.

The cut in the support grant to local authorities and fears of increased mortgages took a further toll on Building issues where the effects of some fairly sizeable selling was apparent. Blue Circle fell 16 to 289p, while London Brick shed 4 to 66p and Taylor Woodrow declined 14 for a two-day fall of 30 to 388p. George Wimpey came on offer and dropped 7 to 74p and John Howland ended 5 off at 102p, after 100p. Disappointing annual results left William Leech with a fall of 11 to 98p and, following the AGM, Lasing A gave up 5 to 60p. International Timber, overshadowed by the £8.3m rights issue, lost 7 for a two-day fall of 15 to 121p, while recently-rumoured Burnett and Hallamshire relinquished 12 to 388p. Second

Fairly persistent selling of Engineering shares found the market unwilling and resulted in a widespread setback in prices. Among the outstanding falls, Rover fell 11 to 289p and El. Samuel A dipped 7 to 233p. By way of contrast, W. Goodlad jumped 18 more for a two-day advance of 33 to 50p on further consideration of Wednesday's disclosure that Messrs. Woolfill, Henton, Fraser, and Bins have between them acquired a near 30 per cent stake in the group from the Goodlad Family Trusts.

marked against Vesper, 277p, WGI, 110p, and United Engineering, 117p. West Brownlie Distributors gave further ground, losing 5 to 25p, reflected the fall in annual profits. Among the leaders, John Brown was again particularly sensitive to offer and lost 7 to 134p, while falls of 5 were marked against Adams and Gibbon, 60p, and Appleyard, 80p. In Commercial Vehicles, E.R.F. shed 9 to 103p.

Falls among leading Newspaper issues ranged to 10, while in Paper/Printings, McCorkendale relinquished 11 to 107p. The Chancellor's dearer money policy continued to weigh on Properties which sustained moderate falls. Land Securities eased 4 to 280p, MEPC 5 to 186p and British Land 31 to 68p. Hagley were lowered 12 to 300p and, awaiting the annual results, Great Portland Estates slipped 4 to 288p. Secondary issues encountered renewed selling with Property and Revenue A 420p and Warfield Investments, 405p, losing 15 apiece. Control Securities eased a penny to 40p following the annual results and accompanying rights issue, details, but the increased interim dividend prompted a gain of 22 to 348p in Corn Exchange.

Eng. China dull

Secondary issues bore the main brunt of the selling in miscellaneous industrials yesterday. As a result, double-figure losses were commonplace by the close and losses of between 12 and 20 were sustained by De La Rue, 475p, Caplan Profile, 215p, Diploma Investments, 273p, BTR, 300p, Sharma, 172p, and Clatco, 143p. Elsewhere, the falls reflected disappointing results with a reaction of 11 to 84p, while Valor fell 9 to 74p despite the higher profits and proposed 20 per cent scrip issue. Applied Computer dipped 15 to 170p following the results and Braby Leslie gave up 5 to 68p on disappointing annual figures. Following news of the abortive bid discussions, Barget returned from suspension and, at 23p, closed 5 down on the suspension price. Still partly concerned about the possible sale of the NEB's 24.2 per cent shareholding, ICL relinquished 10 more to 468p. The leaders remained dull with concern about overseas earnings in the wake of the fresh rise in sterling prompting a further selling of Seccombe and Reckitt and Colman; the former fell 12 to a 1979 low of 533p and the latter ended 20 off at 445p.

Holiday concerns came under pressure, Horison Midlands shedding 11 to 205p and Saga easing 7 to 131p. Elsewhere in the Leisure sector, Barr and Wallace Arnold Trust A fell 11

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## FINANCIAL TIMES STOCK INDICES

	June 14	June 13	June 12	June 11	June 10	June 9	Year Ago
Government Secs.	70.44	71.15	72.85	72.85	73.50	73.16	70.57
Fixed Interest	72.44	72.77	74.37	74.48	75.00	75.13	72.85
Industrial	474.2	488.9	501.4	503.9	503.2	514.0	469.9
Gold Mines	177.8	174.5	200.9	204.8	201.8	205.5	157.8
Gold Mines (Ex-5p)	158.1	155.4	163.9	169.5	164.7	165.5	134.7
Ord. Div. Yield	6.21	6.04	5.88	5.84	5.84	5.75	5.63
Earnings Yld. 3 (Full)	16.84	15.80	15.48	15.39	15.39	15.08	16.43
P/E Ratio (net) (1)	7.82	8.04	8.27	8.32	8.32	8.49	8.14
Total Barga Inc.	20,570	20,549	15,595	17,728	16,883	16,756	—
Equity turnover £m.	—	128.51	69.59	69.59	69.02	69.97	64.71
Equity bargains total	—	18,824	11,837	14,576	14,362	14,231	16,122

10 am 484.2, 11 am 478.0, Noon 477.5, 3 pm 477.7, Latest index 01-248 8028.

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Friday June 15 1979

**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

## OECD chiefs demand tighter energy control

BY ROBERT MAUTHNER IN PARIS

THE NEED for greater efforts to conserve oil and to step up production of alternative sources of energy was stressed by all Ministers yesterday at the annual meeting of the Organisation for Economic Co-operation and Development's Ministerial Council.

Fears of a looming recession overshadowed the 24-nation conference, which was warned by Mr. Michael Blumenthal, U.S. Treasury Secretary, that further increases in oil prices would reduce real incomes, exacerbate inflation and raise unemployment in the Western world.

"The choice is not between growth and inflation, it is between growth with conservation and low growth with high inflation," Mr. Blumenthal said.

"There is considerable danger that we will enter 1980 facing oil import bills that will represent a severe challenge to our ability to stabilise our economies and maintain respectable rates of growth."

Sir Geoffrey Howe, Chancellor of the Exchequer, argued that structural rigidities should

not be allowed to inhibit economic change. If they did, straightforward attempts to raise the level of economic activity by priming the demand pump would probably be dissipated in higher inflation.

Over the last five or six years, significant inflationary pressures have emerged at lower thresholds of capacity utilisation. Since 1973, growth of only slightly more than 2.5 per cent a year in the industrialised countries has been accompanied by an inflation rate of over 12 per cent.

"Until we can get people to understand that the only sustainable basis for real increases in wages and salaries is increased production, any significant loosening of fiscal and monetary policies is more likely to over the medium term to destroy jobs than it is to create them."

In a reference to the reluctance of the U.S. to accept the need for higher oil prices of the volume of its domestic output, Sir Geoffrey said the British people were entitled to

take the same view as higher cost production from the North Sea was now coming forward.

The fact was that in the UK people were already paying £1 a gallon at the pump. That had not prevented him from increasing the tax on petrol in his Budget, raising the pump price by about 10 per cent.

Britain considered this to be a measure that was necessary to save energy, quite apart from its revenue effect. Even without the tax increase, Britain's contribution to the international effort to save oil would exceed 7 per cent, which was well above its 5 per cent obligation.

After pointing out that the average OECD crude oil price had risen by 33 per cent since December, 1978, Mr. Blumenthal said that even conservation would buy only a little time. Economic growth could only be achieved by persuading oil producers to raise their output, by a reduction of the use of oil per unit of production or by increasing the production of some other form of energy.

Multinational code, Page 8

## Botha removes his Minister of Police in Cabinet shuffle

BY QUENTIN PEEL IN JOHANNESBURG

MR. P. W. BOTHA, the South African Prime Minister, yesterday carried out a major overhaul of his Cabinet to reinforce his position in the wake of the resignation of Mr. John Vorster, as President.

The major casualty of the reshuffle is Mr. Jimmy Kruger, the controversial and undiplomatic Minister of Police. The most significant newcomer is Dr. Andries Treurnicht, leader of the conservative wing of the ruling National Party. At the same time Mr. Botha has begun a major reorganisation of the economic and industrial portfolios in the Cabinet.

Underlying the changes is the departure of some key figures from the Vorster era, and a notable promotion for Mr. Botha's closest supporters, including Mr. Chris Hennis, Minister of Economic Affairs, and Dr. L. A. P. A. Munnik, administrator of the Cape Province.

Mr. Kruger's removal has been expected for some time, since he backed Mr. Botha's rival, Dr. Connie Mulder, for the premiership last year. His clumsy handling of the Police portfolio, and callous reaction to the international outcry over the death in detention of Mr. Steve Biko, the black leader, may have contributed to his removal. He is pushed upstairs to become President of the Senate, where the present incumbent, Senator Marais Viljoen, becomes President.

Dr. Treurnicht's promotion to the Cabinet was also inevitable, although he is actually Mr. Botha's principal rival within the National Party. He is leader of the Transvaal wing of the

party, the most powerful section, and an arch-conservative with strong grass roots support. But Mr. Botha has put him into the politically irrelevant portfolios of Public Works, Statistics and Tourism, where he will be hard put to pose any real threat.

On the economic front, perhaps the most dramatic promotion is that of Mr. F. W. de Klerk, hitherto the most junior Cabinet member, to become Minister of Mines and Energy, two key roles in the present energy crisis. Mr. Hennis, who is Mr. Botha's lieutenant in the Cape wing of the National Party, is promoted to Minister of Transport.

His predecessor, Mr. Louwrens Muller, resigned earlier in the day after failing to win the National Party nomination for the presidency. Dr. Schalk van der Merwe follows Mr. Hennis to Economic Affairs, renamed Trade, Industry and Consumer Affairs.

Senator Owen Horwood remains at finance, as does Mr. P. K. Botha at Foreign Affairs. Mr. F. B. Botha, Minister of Labour, loses his second portfolio of Mines, possibly partly as a sop to the white mine-workers who have attacked him bitterly.

The other key Ministries, of Justice and Police, are split between Mr. Alwyn Schlebusch (Justice) and Mr. Louis le Grange (Police). Ironically the two men who chaired the parliamentary commission which investigated liberal dissidents and anti-South African activities in the early 1970s, and banned foreign funding of such organisations.

## NALGO will back strikes over cuts

BY NICK GARNETT, LABOUR STAFF

THE NATIONAL and Local Government Officers' Association decided yesterday to give official backing to any local strikes called by its members against job cuts resulting from the Government's drive to reduce public expenditure.

In the first formal attempt by a union to mobilise its members against public expenditure reductions since the TUC announced a campaign against the cuts, the union's annual delegates conference reaffirmed its three-year-old policy of instructing members not to perform duties attached to jobs scrapped or held vacant.

This would be part of a general campaign against Government policies on expenditure cuts mounted by the 730,000-strong union which has members in many sectors including local authorities, the health service, public utilities and inland waterways.

The union's executive refused to support a much tougher motion instructing members to block the provision of all government information to Government departments as

well as calling for a reopening of pay settlements in light of the Budget. The motion was subsequently withdrawn.

The union is anxious that all public sector unions must be involved in any fight to maintain employment levels.

The union's strike fund has been drained of £3.5m in the past 12 months through protracted disputes and there will only be an estimated £0.5m in the kitty by December.

In February the executive slashed the provision of strike pay from 55 per cent of gross wages to only 24 a week.

Nevertheless, Mr. Geoffrey Drain the union's general secretary said there would be local strikes where his members decided they had to fight job cuts in their own areas.

There appeared to be considerable scepticism among delegates at the Blackpool conference, that the TUC's campaign would be effective.

Mr. Drain told delegates that if the TUC's campaign failed, NALGO would have to shoulder the responsibility against what he called the greatest challenge to the unions since the 1930s.

## THE LEX COLUMN

# When the lending had to stop

Index fell 14.7 to 474.2



As the banks duly hoisted their base rates to 14 per cent yesterday the official money and banking figures filled in the background to the Chancellor's drastic action on interest rates. Growth in sterling M3 in the first half of the monetary year, up to last October, had been running close to the target level at an annual rate of 10.3 per cent, but since then it has accelerated to over 13 per cent, with a rise of 1.2 per cent in the latest month to mid-May. In the last six months sterling lending to the private sector has doubled to an annual rate of £8.4bn. The outlook has continued to be poor for the June banking month which ends next Wednesday, although the emergency action of the authorities this week has produced £900m of debt sales which will have a valuable impact on the June output.

But the official tactics have severely dented the equity market, which has sunk well below the 500 level on the FT 30-Share Index, and now shows a loss on this measure of 84.4 points since the peak reached on May 4, the day after the election.

Glittered were also weak yesterday, unable to hold the levels reached after Wednesday morning's excitement. The market is nervously awaiting the results of the general election—perhaps both a short and long—this afternoon. There is not much domestic buying power left for the time being, and the authorities might be wise to wait a week or two rather than flatten the market still further or risk an inflow of speculative foreign money.

English China Clays

The City's analysts turn out to have been too impressed by the July volume figures published in recent months by the china clay industry—production was up nearly a tenth in the six months to March—and not wary enough about the impact on English China Clays of the severe winter and the transport industry disputes. These troubles appear to have afflicted the group's quarrying and road-building activities even more than the clay division. So against hopes of £12m or more ECC has only produced £10.4m pre-tax for the first six months, which is an improvement on the depressed £5.5m of a year earlier but is still well below the peak £13.5m recorded for the first half of 1978-79. The shares slumped 11p to 84p.

But although the strength of sterling is no help, the clay division now looks much more buoyant. With flat out working, production for the year should be up from 2.5m to 2.75m tonnes, and after the January 1 price rises, worth 15 per cent

on exports, the group is posting further increases of between 8 and 14 per cent, effective on July 1. Meanwhile this year's price increase has been limited to 10 per cent. Elsewhere the quarry and building interests should recover from the first half setback and the holiday interests—ECC will be host to 100,000 customers in its caravan parks this summer—will make a seasonal contribution.

For the full year ECC should be able to get near £30m pre-tax, against £24.5m, and the benefit of the price rises will roll forward into 1979-80, though there must be a question mark over the strength of demand beyond the summer. The yield, without allowing for the rise in the final dividend hinted at by the Board, is 6.5 per cent.

B & C Shipping

British & Commonwealth Shipping is taking no chances with its dividend. Even though official controls lapse next month B & C is still hiding behind them and shareholders will have to wait some time before they get an idea of how much extra cash the company is prepared to pay out.

This caution does not mean that B & C is hard up like its larger rivals P & O and Ocean Transport—far from it. Leave out the £2.8m share of the exceptional currency loss at Overseas Containers Limited and the £1.8m write down of the floating supply base ship, and B & C's pre-tax profits rose by £1.3m to £30.6m last year. This is not bad going for a company facing the worst recession in the shipping industry since the early 1930s.

But then B & C is no longer really a shipping company. Apart from its profitable stakes in OCL and South Africa's Sarmarine, its shipping side is just under 21 per cent. By contrast, its air transport side—mainly helicopters—made around £10m and the aviation support side made another £4m. The hotchpotch of other activities did not do so well, but nevertheless chipped in another £4.0m.

Although it is still listed as a shipping company the stock market has come to regard B & C as a glorified investment trust which is standing at generally reckoned to be over 40 per cent at the current price of 358p. This partly explains why B & C shares yield 4.3 per cent. Even so, the dividend will have to be raised fairly smartly if the shares are going to retain their current rating.

## BNOC likely to lose licensing privilege

BY KEVIN DONE, ENERGY CORRESPONDENT

THE BRITISH National Oil Corporation's right to have first refusal on all North Sea deals in which oil companies are proposing to buy or sell licences is likely to be revoked.

The Government's comprehensive review of all the state oil company's functions is well advanced and any changes resulting from the study are likely to be made known before the end of July.

But the Department of Energy is expected to act before the study is completed to remove BNOC's particular advantage in so-called farm-in deals. The state oil company's privileged position has especially irked the rest of the oil companies operating in the North Sea.

As part of the Labour Government's attempt to give BNOC a larger stake in the North Sea, it allowed the corporation to have first option on any deals in which oil companies were proposing to transfer part of their offshore licence interests. Farm-in agreements are a common part of oil industry dealings. Companies which think they have located promising exploration prospects in another company's acreage offer to drill a well at their own expense in return for a share in the licence.

The oil industry has claimed that BNOC's pre-emptive right to all such farm-in agreements has brought these deals to a virtual halt, and in the process

has slowed up offshore exploration.

In opposition the Conservative Party gave this complaint a sympathetic hearing, and it is expected to announce soon this next step in bringing BNOC back in line with the rest of the industry.

The Government has already announced this week that BNOC will be made liable to pay petroleum revenue tax in the same way as other North Sea operators.

The new Department of Energy team is also formulating its first response to the EEC Commission on the question of interest relief grants for oil companies which agree to buy British equipment for North Sea field developments.

The Commission told the last Government, on the eve of the general election, that the system of giving preferential treatment to UK offshore suppliers was illegal and had to be changed. The UK was given two months to respond or face a possible challenge in the European Court of Justice for violating the Treaty of Rome.

The Government is expected as a first response to seek more time to deliberate on the issue, while it tries to pin-point similar schemes operating in other member countries.

But it appears to have accepted that the scheme offends against the Rome Treaty, and in the slightly longer-term it is looking to a gracious retreat on the issue to prove its willingness to co-operate with the Community and to give it a bargaining card in seeking concessions on other energy matters.

## Joint effort to ease oil shortage

By Kevin Done

UK OIL companies are to start pooling information about areas of the country that have been particularly hard hit by the shortage of oil supplies to try to achieve a fairer distribution of oil products to all regions.

It is the industry's first response to a specific request from Mr. David Howell, Energy Secretary, to share oil as possible product rationing as equally as possible.

The Government has declined to intervene in the allocation of oil supplies. But earlier this week Mr. Howell told Parliament that he had specifically requested the oil companies "to achieve a more even and effective distribution overall and to meet particular difficulties as a matter of urgency where customers are threatened with real hardship."

To meet the Government's demands, oil companies are to start compiling joint figures about supply and demand in various regions and for different sectors of the trade.

When the industry is able to identify local areas suffering a disproportionate shortage of a particular product, individual companies, usually the dominant supplier, will be called on to move the product via their distribution system to meet some of the shortages. Failing this, a more general appeal would go to all companies to try to bridge the gap in deliveries.

The job of collating national figures on the pattern of local supply and demand for oil products has fallen to the Petroleum Industry Association,

## Alusuisse in U.S. deal

BY STEWART FLEMING AND BRIJ KHANDARIA

ALUSUISSE, the Swiss-based aluminium producer which is the sixth largest in the world, is to acquire the U.S. motor components group, Maremont Corporation, in a deal worth \$168m (£80m) or \$42 a share.

At first sight, the American company's activities do not seem to be in line with the Swiss giant's traditional operations, aluminium, mining, chemicals, engineering, energy and research and development.

There was speculation that the purchase was related to a move by vehicle makers to reduce the weight of components as a means of cutting fuel consumption. The acquisition of Maremont could lead Alusuisse into this field in the lucrative U.S. market.

Maremont stressed yesterday

that the agreement had been reached jointly by the chief executives of the companies, Mr. Emanuel R. Meyer of Alusuisse and Mr. Richard B. Black of Maremont. The respective Board's and shareholders had to approve the proposal. The boards will meet on Monday.

Maremont, which reported sales of \$338m last year and net profits of \$14.1m (£6.7m) is a leading supplier of shock absorbers in the U.S. and has been rapidly increasing its share in the automotive exhaust market.

Motor exhausts have been an important growth sector of the U.S. motor components industry in recent years because of environmental regulations. Maremont has been supplying shock absorbers and exhaust systems for the VW Rabbit and for the smaller sized Ford and Mercury models.

Alusuisse's existing U.S. interests centre on a 60 per cent ownership of the Consolidated Aluminium Corporation, which produces raw aluminium, alumina, semi-finished and finished goods. The company also owns bauxite mines and alumina plants in Australia.

Net profits at Alusuisse fell in 1978 to SwFr 94.1m (£25.8m) from SwFr 152.3m in the previous year. Total sales were SwFr 4.94bn compared with SwFr 5.4bn. The setback occurred because of the strength of the Swiss currency and the resultant exchange losses.

In contrast to the early stage, Certificates of Tax Deposit, an investment for taxpayers, have not contributed, and there were redemptions of £109m as oil companies paid Petroleum Revenue Tax.

The pound closed 82 points down at \$2.0953, while the trade-weighted index, measuring value of sterling against a basket of other currencies, dropped 0.4 to 68.2 compared with 67.4 before the Budget.

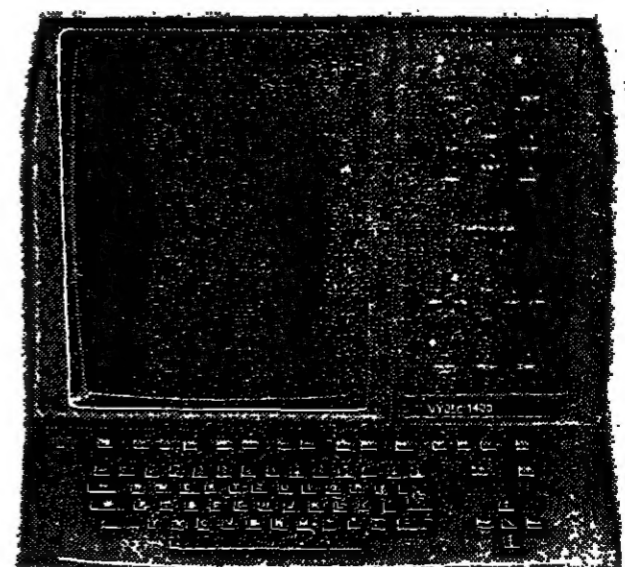
Most of the Government's borrowing has been financed through sales of gilt-edged stock to the public and financial

## Weather

**UK TODAY**  
CLOUDY with occasional showers. Sunny intervals. London, S.E. England. Sunny intervals. showers. Thunder later. Max. 16C (61F). E. England, Cent. S. England. W. Midlands, Wales. N.W. England, Cent. N. England. Showers. Bright intervals. Max. 14C (57F). S.W. and N.W. Scotland, Ulster. Rather. Occasional showers. Max. 12C (54F). Rest of Scotland. Cloudy. Outbreaks of rain. Max. 16C (61F). Outlook: Little change.

WORLDWIDE	Y'day	Today	Y'day	Today
	midday	midday	midday	midday
Algeria	26	27	26	27
Algiers	26	27	26	27
Amman	26	27	26	27
Antwerp	26	27	26	27
Bahra	26	27	26	27
Bahrain	26	27	26	27
Bombay	26	27	26	27
Buenos Aires	26	27	26	27
Calcutta	26	27	26	27
Cairo	26	27	26	27
Cardiff	26	27	26	27
Cebu	26	27	26	27
Colon	26	27	26	27
Copenhagen	26	27	26	27
Corfu	26	27	26	27
Dublin	26	27	26	27
Dover	26	27	26	27
Edinburgh	26	27	26	27
Faro	26	27	26	27
Florence	26	27	26	27
Frankfurt	26	27	26	27
Glasgow	26	27	26	27
Geneva	26	27	26	27
Hamburg	26	27	26	27
Helsinki	26	27	26	27
Kangaroo Island	26	27	26	27
Khartoum	26	27	26	27
Kuala Lumpur	26	27	26	27
London	26	27	26	27
Lyons	26	27	26	27
Madrid	26	27	26	27
Manchester	26	27	26	27
Marseille	26	27	26	27
Meppen	26	27	26	27
Milano	26	27	26	27
Moscow	26	27	26	27
Munich	26	27	26	27
Nairobi	26	27	26	27
Norwich	26	27	26	27
Osaka	26	27	26	27
Paris	26	27	26	27
Perth	26	27	26	27
Rangoon	26	27	26	27
Rome	26	27	26	27
Salt Lake City	26	27	26	27
Seoul	26	27	26	27
Shanghai	26	27	26	27
Singapore	26	27	26	27
Stockholm	26	27	26	27
Sydney	26	27	26	27
Taipei	26	27	26	27
Tokyo	26	27	26	27
Toronto	26	27	26	27
Valencia	26	27	26	27
Vancouver	26	27	26	27
Warsaw	26	27	26	27
Wellington	26	27	26	27
Zurich	26	27	26	27

C—Cloudy, F—Fair, R—Rain, S—Sunny.



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